

Further written evidence submitted by ABTA (AAS0018)

Introduction

1. Established in 1950, ABTA represents over 900 UK travel organisations, acting to advance their collective interests through giving a strong and united voice to the travel industry and supporting a successful and sustainable sector. Pre-pandemic ABTA Members represented more than £40 billion of consumer and business travel. Members constitute more than 4,300 consumer brands, with a workforce of some 80,000 employees and a further 12,000 self-employed independent travel agents.
2. ABTA is a Department for Business, Energy and Industrial Strategy (BEIS) Approved Body in relation to the Package Travel Regulations and has operated as one since the inception of the Regulations in 1993. ABTA is the largest Approved Body, holding over £500 million in regulatory bonds, and is one of just two remaining Approved Body schemes. ABTA's scheme of financial protection covers 366 package travel organisers, protecting more than £3.2 billion in non-ATOL package travel turnover, and covering some 4 million customer holidays – ranging from domestic short-breaks and coach tours, through to non-air based overseas holidays (such as golf, spa and cruise holidays) and high-value round-the-world cruises.
3. ABTA protects some £2.6 billion of turnover through its financial protection scheme for the 441 Members who undertake non-licensable package and non-package travel arrangements as principal.
4. This submission contains additional remarks that are intended to be read as supplementary to the submission made to this inquiry under the umbrella of the Save Future Travel Coalition.

Barriers to the recovery of international travel

5. ABTA welcomed the progress made in recent weeks by the Government on the mutual recognition of vaccination certificates with some of our key trading partners, including the USA and the UAE. We hope that this will be the beginning of an ongoing and productive conversation with destinations around the world. Ensuring not only the short term, but

also the longer-term ability of UK residents to travel overseas, and overseas residents to travel here, with minimal disruption, will be of vital importance as travel finally begins to restart and recover.

UK vaccination programme (adults) and overseas travel

6. ABTA understands that vaccination certificates in both Croatia and Austria have a validity period, notably with a limit of 270 days. Similar rules apply in Estonia, Switzerland (validity of 1 year) and Norway (180 days). This is an issue that may present complications further down the line, and which relates to the UK Government's vaccine programme and associated certification and the subsequent 'booster' programme for the over 50s. It would be helpful to understand whether the UK Government has determined a validity period for the initial vaccination certification programme, and whether those being offered a booster vaccine will be provided with additional certification, and what the availability for this will be.
7. Given the timings of the UK's original vaccination programme, this may become particularly problematic when it comes to travel in the upcoming ski season, when UK vaccination certificates may no longer be valid in certain destinations and travellers who have not received a 'booster' may no longer be considered 'fully vaccinated'. Although we don't believe that either the ECDC, or the WHO, have issued any guidance on this issue, it would be useful if the matter could be taken under consideration when ministers discuss the future of the UK's booster programme, and also in their conversations with European counterparts.

Alternative methods for travel certification – proof of immunity

8. Individuals who have been diagnosed with, and recovered from, COVID-19 can continue to test positive for a significant period even though they are no longer infectious, and therefore pose no risk to others although they are shedding the COVID-19 virus. This is a challenge for travellers who have recovered from COVID-19 and are required to take PCR tests to travel internationally. Due to the sensitivity of these tests, it is likely that people who have recovered will continue to test positive, and, as a result, be unable to travel. For returning travellers, this can mean being denied boarding for their return flight and having to quarantine overseas

or, upon return, testing positive on the day 2 test and being required to quarantine unnecessarily for 10 days.

9. Many countries have introduced rules to accept certification proof of natural immunity shown by a positive PCR test result for COVID-19, lasting for 180 days after the date of the positive test and following completion of the self-isolation period. However, the UK does not have a policy to recognise and exempt travellers from travel-related testing or quarantine during the first 180 days after a positive PCR test. We would urge the Government to consider introducing a policy to accept certification proof of natural immunity shown by a positive PCR test result for COVID-19, lasting for 180 days after the date of the positive test and following completion of the self-isolation period. The NHS COVID Pass could be the vehicle to verify this status.

Children and overseas travel restrictions

10. Currently, a significant challenge for both international school groups and family travel relates to the vaccination of 12–17-year-olds in the UK. Some countries require vaccine passports/certificates either for admittance to the country itself or to recreational facilities such as restaurants and other public places in destination, for example, Italy and France respectively. We note the NHS is offering all young people aged 12 to 17 years a first dose of the vaccine, and the timing of a second dose for these 12-17-year-olds is due to be confirmed “later”.¹ At present, therefore, we do not currently expect that the UK’s children and young people vaccine policy will meet many country requirements for travellers to be 'fully vaccinated'. Furthermore, the vaccination programme for 12–17-year-olds has only just started to be rolled out so the majority will remain unvaccinated for some time.
11. It is not in ABTA’s remit or scope of expertise to advocate for a set position on whether children should be vaccinated or the appropriate dosage. However, we would encourage the Government to engage with international partners to ensure that a facilitative approach is adopted to family and educational travel, which provides viable and affordable alternatives to vaccination to enable young people to continue to travel without significant barriers.

12. Many school trips that were booked for 2020 were rescheduled for this academic term, but ABTA now understands that a significant number of these trips are being postponed again or cancelled due to inconsistencies in the treatment of vaccinated children. This will also be a concern for many families travelling with younger children, particularly as we approach the October half term, and beyond, as we head into what would usually be the peak Winter ski season. Despite the welcome news that the Government relaxed some of the current restrictions on international travel from 4 October, there remain several practical obstacles which will continue to dampen the recovery of the UK travel industry if left unaddressed.
13. If it transpires that the UK regulator and Government considers one vaccination is sufficient for children to be classified as fully vaccinated, it will be essential that there is a means by which they are able to access a vaccine certificate, as proof of immunisation when travelling. We would also welcome an update on discussions that the UK Government is having with its global partners in relation to bilateral agreements on the mutual recognition of the vaccination status of children, to ensure that family and educational travel are not disrupted.

School and educational travel

14. Organisers of group travel, including educational travel providers, have been particularly hard hit by the restrictive and bureaucratic nature of UK travel restrictions over the last 18 months. The deterrent effect of the UK's testing regime has been especially hard felt by this sector, with the costs involved in testing groups significant and the logistical challenges presented by the potential for guests to be stranded in resort often providing an insurmountable operation challenge. These organisers will benefit from a relaxation of travel rules, but it is also important the Government considers steps that could be taken to avoid some of the challenges the sector has faced over recent months. These businesses' clients – typically schools and colleges – also tend to require longer lead in times before travelling, due to the complexities involved in booking group travel, which means that bookings will be unlikely to recover in earnest until early 2022 at the earliest.

Alignment across the UK on testing requirements

15. The current rules for testing children on arrival in England are more restrictive than those for arrival into Scotland, where children under 11 are not required to undertake any tests on return from non-red list countries². Given the UK Government's approach to asymptomatic testing in school settings, the guidance for which states that primary age pupils (those in year 6 and below) do not need to undertake testing, we would urge Ministers to align with the approach taken by the Scottish Government to travel testing for children under the age of 11.

Recovery and growth – effective taxation and investment

16. The recovery of the international travel industry will be vital to support the Government's vision of achieving a truly Global Britain, and we are calling on the Treasury to consider using all the levers at its disposal to foster an environment conducive to the re-growth of our sector.

17. Several 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.

18. During the crisis, ABTA has seen largescale closures of retail travel agencies. If businesses are to be encouraged back to the high-street, or new businesses incentivised to take up vacated premises, it will be vital that business rates are reformed. 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 vibrant high streets and communities across the country.

19. In addition, while this is not a matter that will have consequences for the profitability of travel businesses, ABTA would ask ministers to review the rate of insurance premium tax levied on travel insurance, which is currently set at the higher rate of 20%. A reduction from 20% to the lower rate of 12% would help affordability and boost consumer demand when the travel and insurance markets fully re-open. This approach would also better align with the FCDO's objectives of encouraging maximum levels of take-up of insurance for overseas holidays. It would appear inconsistent from a public policy point of view to continue to levy

higher rates of taxation on travel insurance at a time when Government messaging promotes take-up of the product, and also the importance to consumers of purchasing adequate insurance has never been clearer.

Air Passenger Duty

20. The UK already 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. Over the last year and a half, we have seen cuts to VAT to benefit the domestic tourism sector, but these cuts 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 and ABTA would support a short-term reduction in APD, or holiday from the tax, to boost the recovery of the sector.
21. It is also very important that any loss of revenue for the Exchequer in relation to UK domestic APD, following the recent consultation looking at cuts to boost domestic connectivity, is not recouped through increased tax rates for international travel, as to do so at this time would inhibit the recovery of the sector from the COVID-19 crisis.
22. In the medium-term, ABTA has consistently expressed our commitment 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.

Sustainable Aviation

23. ABTA is a member of Sustainable Aviation, an alliance of UK airlines, airports, manufacturers and air navigation service providers, working to achieve a sustainable future for the UK aviation sector. In February 2020, the coalition made a commitment to achieve net-zero emissions by 2050, whilst allowing for a forecast 70% growth in passengers. ABTA encourages the Government to work with the industry, through the Jet Zero Council, to support a green recovery of the UK and aviation that nurtures a leadership position and accelerates progress at a global level to decarbonise aviation.

24. Sustainable Aviation believes taxation can be an effective method of reducing carbon emissions. However, how this is applied to aviation emissions requires very careful consideration. Aviation takes place in a global marketplace, so any UK specific tax measures risk putting UK aviation companies at a disadvantage to non-UK companies. In addition, taxation will inhibit airlines' abilities to invest in more efficient aircraft types and other abatement technology and thus could stifle future emission reductions. Carbon emissions are already addressed through the UK Emissions Trading Scheme (ETS) and should not be taxed twice.
25. While ABTA understands HM Treasury has previously indicated opposition to hypothecation of tax revenues, we note that this approach is being adopted in relation to the recent Health and Social Care Levy, and believe that consideration could be given to similar use of revenues from APD and ETS to support decarbonisation of air transport and other measures that could help to achieve the sectors commitment to net-zero, such as those outlined see below.
26. Investment in new lower emission technologies, the development of sustainable aviation fuels at scale, and airspace modernisation will have a significant impact in reducing aviation emissions globally. Each of these requires a working partnership between industry and Government. Meanwhile, relying on further taxation for flights leaving the UK risks creating problems such as carbon leakage, where people choose to buy cheaper flights outside the UK, which avoid UK taxes, but in doing so support flights over longer distances than direct flights from the UK, thus creating more harmful emissions and carbon.

Education and skills

27. Jobs losses during the crisis have been very significant, with ABTA estimating that 95,050 direct jobs have been lost in outbound travel since the start of the crisis in March 2020. While the industry has highly valued the Coronavirus Job Retention Scheme (CJRS) – commonly referred to as furlough – this system has been less effective for travel agents, tour operators and travel management companies, due to the need for staff to be in work to manage cancellations and re-bookings required because of widespread disruption to international travel. This was particularly the case early in the crisis before changes were made to

the furlough scheme to enable staff to be rotated on the scheme (so called 'flexible furlough').

28. Given the depth of job losses, the ability to recover once demand for travel rebounds will be dependent on having staffing levels that enable businesses to take, manage and deliver travel arrangements in line with that demand. ABTA's recent consumer survey indicates demand recovery could happen rapidly, with 61% of consumers suggesting they plan to travel in 2022 and 46% suggesting they will book a holiday this winter, which represents growth (up 2%) on the same period in 2019. As such, Government support will be vital to ensure that businesses can retain and attract staff in the coming months.
29. Earlier this summer, the Department for Transport published a report on how young people view careers in aviation and maritime sectors.³ The research found that wider factors of climate change and COVID-19 (the latter in relation to job security) negatively influenced perceptions of careers in aviation for around half of young people. That said, some individuals were motivated by the potential opportunity for innovative approaches to reduce aviation's impact on climate change. Two-fifths (41%) of young people were negatively influenced by a lack of diversity in the sector, with this proportion increasing further among Black / Black British ethnic groups (67%).
30. These findings are reflected by feedback from ABTA's Further Education College Partners, who are reporting that parents are less inclined to support children applying for travel and tourism courses as they were worried about job security, particularly as a result of COVID-19, as they do not feel that this is a sector that was supported during the pandemic. Certain ABTA Members are also reporting far fewer applicants for apprenticeship opportunities across all roles when compared with pre-COVID levels of applications.
31. We welcomed the introduction of the Government's Kickstart scheme – which provides funding to create new jobs for 16 to 24 year olds on Universal Credit who are at risk of long term unemployment – and would urge the Government to extend this scheme (applications for which are due to close on 17 December 2021), and others such as incentive payments for hiring a new apprentice (the deadline for which is 30 November 2021), so that the aviation and travel industry, which was not

in a position to take advantage of these incentives throughout most of the pandemic while severe restrictions were in place for a prolonged period, can fully benefit. Many of the training and HR teams across the industry have either been restructured or have been on furlough, and it takes time to put new employment programmes in place, set up recruitment campaigns, and fully embrace these schemes.

32. In addition, the apprenticeship levy does not currently cover the costs of recruitment and promoting the sector. We would recommend that the Government could work with the industry on a campaign to promote the aviation sector as a career of choice, and particularly those careers that support the Government's STEM and sustainability ambitions.

Consumer financial protection

33. The Package Travel Regulations (PTRs) allow businesses to have bonds, insurance or trust accounts as financial protection; regardless of the method chosen, the organiser must provide sufficient security to refund all payments made by or on behalf of travellers for any travel service not performed as a result of the company's insolvency, and to repatriate the traveller (and to pay for their accommodation prior to their repatriation) where travel arrangements are underway at the time of the company's insolvency.

34. To date, ABTA has not accepted trust accounts as a form of financial protection from its Members. There are several reasons for this:

- a. Under the PTRs, all monies must be held in trust until "the contract has been fully performed"; very few trust arrangements fulfil this requirement, because many allow for the earlier payment of suppliers from the trust and some allow the withdrawal of a value in relation to margin/commission. This may prove problematic in the event of a company's insolvency, if the trust account is not holding the full customer money due to be refunded to the customer. In addition, the requirement for all customer money to be held in a trust account until the customer returns from travel limits the company's ability to pay suppliers in advance.
- b. The PTRs also require the organiser to have adequate insurance in place to cover any shortfall of funds held in the trust (and, where

relevant, to cover repatriation and pre-repatriation accommodation costs). Scheduled Airline Failure Insurance (SAFI) may be one of those policies of insurance but this is not sufficient in isolation.

- c. It is unclear what happens to cover the risk in a scenario whereby customer monies do not reach a trust account, or are not fully held in the trust account until the customer's travel arrangements are completed, and the company becomes insolvent.
- d. There are challenges with ensuring robust ongoing monitoring of trust accounts, and with effective and immediate responses to customer claims on failure.
- e. The fees and premiums associated with the management of a trust may be higher than the cost of a bond or insurance.

35. It is important to recognise that the quality of trust accounts varies; they should not be uniformly considered as any better than the bond and insurance options available to companies. It is equally important to recognise that trust accounts do not suit all business models and/or are not economically viable to all companies, and therefore ABTA is of the view that choice is important for the industry.

36. Earlier this summer, the Civil Aviation Authority (CAA) conducted a consultation into 'ATOL Reform: Assessment of funding arrangements and the protection of customer money'. In general terms, we were concerned that the consultation was conducted in isolation from wider reforms within the consumer financial protection landscape.

37. ABTA would urge that consideration be given to a more comprehensive, cross-government approach to consumer financial protection reform, which encompasses a wider review of the 2018 ATOL and Package Travel Regulations, alongside action in relation to the implementation of legislation following the Government's Airline Insolvency Review. The UK now has greater freedom to review the ATOL and Package Travel Regulations, as the UK is no longer tied to the maximum harmonization 2015 EU Package Travel Directive. Piecemeal reform is unnecessary and unwelcome, and unlikely to deliver the optimum result for consumers, industry or the taxpayer over the medium or long term.

38. There is widespread support amongst ABTA Members for the maintenance and extension of a pro-choice model within the consumer

financial protection landscape, alongside recognition that there is a role for a central body in terms of oversight and licensing. Members do not want to be limited to a single compliance method and wish to have the flexibility to choose a method that best aligns with their business needs.

39. This pro-choice model reflects the arrangements in place under the Package Travel Regulations where a range of bonding, insurance and trust account solutions are permitted. No one model is compelled, and participants can make arrangements that best suit their businesses, so long as the required protection is delivered for the consumer. Members feel strongly that these options could be extended across the ATOL system in the same way.

40. In addition, we would also advocate for greater flexibility in allowing different financial protection instruments to be used in conjunction with each other, so long as that achieves the same overall objective for the scheme of protection. This is an approach that BEIS are also considering as part of their review of the Package Travel Regulations. ABTA believes that measures which increase choice and flexibility for business, while providing the required security, should be incorporated into the reform process. An example could be market insurance instruments that sit in excess of an underlying bond; alternatively, it could be insurance arrangements that provide cover behind a trust account arrangement, in relation to pre-payment, repatriation and administration costs. Another example would be a trust that sits in excess of an underlying bond, in order to address peak season risk, or an insurance policy that sits in front of a trust, in order to allow pre-payments from the trust to suppliers. There may be other options which could be developed as robust market solutions.

41. Equally, the role of the ATT Fund as a back stop, and the provider of the required liquidity to enable immediate action to be taken when organiser repatriation operations are needed, is important. The ATT Fund will continue to be an important primary compliance solution for many participants as the industry transitions out of the pandemic and before the availability of other options in more stable market conditions, and affordable costs, becomes viable on a widespread basis.

42. Despite the enormous costs taken into the ATT Fund, ATOL holders have always met all costs incurred by the ATT Fund, over time, including the

interest costs incurred when commercial lending facilities have been required to support the fund. The role of Government in providing guarantees has been important, but the cost of those interventions has always been added to the ATT deficit and then repaid, without cost to the Treasury or taxpayer.

Further information

For further information, please contact ABTA's Public Affairs Team

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Endnotes

¹ <https://www.gov.uk/government/publications/covid-19-vaccination-resources-for-children-and-young-people/covid-19-vaccination-a-guide-for-eligible-children-and-young-people-aged-12-to-17#eligibility-and-timing-of-vaccination>

² <https://www.gov.scot/publications/coronavirus-covid-19-international-travel-quarantine/pages/red-amber-and-green-list-countries/>

³ <https://www.gov.uk/government/publications/aviation-and-maritime-careers-young-peoples-perceptions>