

## EU Package Travel Directive

# FAIR COMPETITION IN CONSUMER PROTECTION

Package holidays are the safest form of travel. There is no other industry where customers benefit from comparable protection. Currently, proposals to reform the EU Package Travel Directive (PTD) are discussed. We urge for moderation in order to not jeopardise the competitiveness of the European package holiday.

### Prepayments are important

In Europe, travellers usually pay a deposit of 20 to 30 percent\* when booking a package holiday. Why is that? Tour operators pay for flight and hotel capacities many months in advance to ensure optimum occupancy and reliably offer travellers attractive deals. In the winter months, many hotels are closed as they use money from the tour operators to modernise their hotels for the upcoming season. Also, TUI pays the local travel agencies an initial portion of the commission as soon as the trip is sold. Medium-sized travel agencies also benefit from the current process. Any bans or restrictive regulations on prepayments would negatively impact prices, product variety and quality.

### Insolvency protection applies

Across Europe, travel companies provide hundreds of millions of euros each year to cushion any insolvencies, protect prepayments and return travellers back to their home countries. The insolvency protection systems work. Further tightening or EU-wide harmonisation should be avoided: This would tie up additional resources of the companies without offering genuine added value. In other sectors there is no comparable protection at all, for example when buying furniture. Tourism offers a level of protection that does not exist among other consumer purchases.

#### TUI's customer service

- **Guest care:** 8,500 service employees in more than 100 destinations worldwide ensure 24-hour guest care – online and on-site
- **Emergency provision:** Automatic warning system notifies TUI crisis management – travellers are informed and, in extreme cases, brought back
- **Responsibility:** Worldwide return transport of 200,000 tourists at the beginning of the pandemic

### Level playing field required

In addition to insolvency protection, package travellers enjoy comprehensive legal rights as well as support in the event of problems at their holiday destination, flight cancellations and crises. The European travel industry is happy to provide these protections, while they do come at a significant cost. Individual travellers are often not aware that they do not receive any support from the major platforms if something does not go smoothly. In order for package holidays to remain attractive for the leading tour operators in Europe, fair competitive conditions are needed. There should be no over-regulation of package holidays, especially not with rules that only increase costs without adding actual benefit for EU consumers. Additionally, the category of so-called linked travel arrangements (individual services combined into one trip), which are in direct competition with package holidays but do not offer protection, should be fully covered by the PTD to avoid misleading travellers.

### Overview of travellers' rights

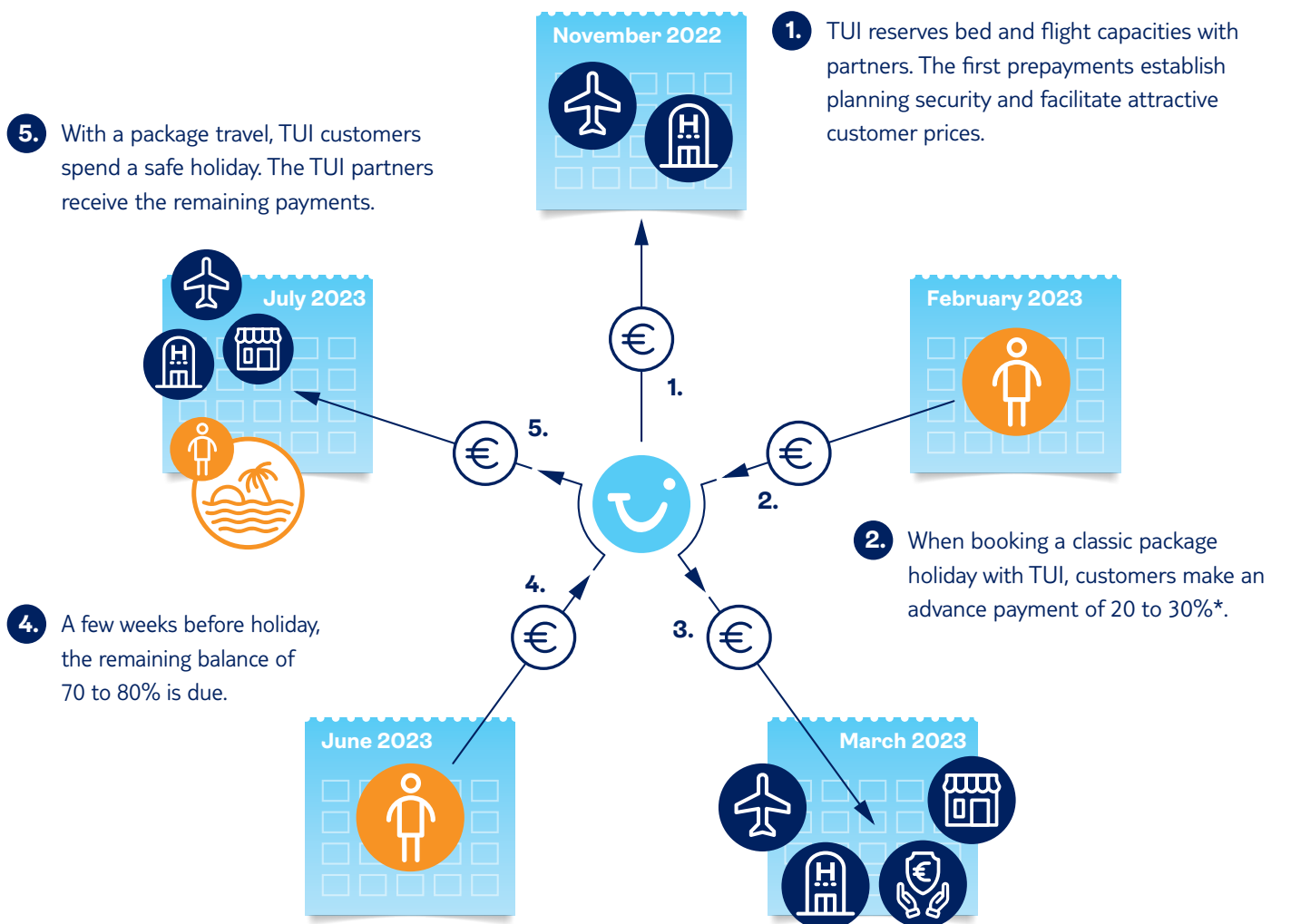
Rights	Package Travel	Linked Travel Arrangements	Individual booking of flight and accommodation
EU company responsible for all components of the journey – worldwide	✓	✗	✗
Refund of full travel price in the event of flight cancellations or major problems	✓	✗	✗
Return transport in case of crisis	✓	✗	✗
Insolvency protection	✓	Very limited	✗

\* The deposit may be lower or higher depending on the type of holiday and the services which are included.

## Package Travel

# WHERE DO THE PREPAYMENTS GO?

When booking a package holiday, travellers make an advance payment. Tour operators like TUI transfer these to partners – from travel agencies to airlines to hoteliers. Why are these cash flows so important for attractive prices and high consumer protection?



**5.** With a package travel, TUI customers spend a safe holiday. The TUI partners receive the remaining payments.

**1.** TUI reserves bed and flight capacities with partners. The first prepayments establish planning security and facilitate attractive customer prices.

**4.** A few weeks before holiday, the remaining balance of 70 to 80% is due.

**2.** When booking a classic package holiday with TUI, customers make an advance payment of 20 to 30%\*.

**Limitation of prepayments will cause:**

Travel industry increased financing needs during the off-season = **HIGHER PRICES**

Fewer package holiday offers, more individual flight and hotel bookings = **LESS CONSUMER PROTECTION AND LESS DIVERSITY IN TRAVEL OPTIONS**

Competition with non-European travel platforms = **COMPETITIVE DISADVANTAGE FOR EU COMPANIES**

**3.** TUI passes on prepayments to partners and insolvency protection:

- **Hoteliers** upgrade their facilities in preparation for the season, for example with renovations and extensions.
- **Airlines** receive prepayments to reduce their risk and provide predictability.
- Mostly independent, family-run **travel agencies** immediately receive an advance payment on their commission.
- **National insolvency protection funds** and bank guarantees/collaterals secure the prepayments.

\* The deposit may be lower or higher depending on the type of holiday and the services which are included.