THE TREASURY AND THE TRAVEL INDUSTRY…

AITO reports that it's no fairytale… tour operators and travel agents alike will have to absorb all credit card charges with effect from January 2018

14th March, 2017

Just the latest in a regular line of hits for the travel industry to take on the chin is this snappily-named consultation document, "The Second Payment Services Directive (PSD2)", from HM Treasury, via Europe.

Says AITO Chairman Derek Moore: "Consultation on this little gem launched in the first week of February 2017, with an original deadline for responses of 13th March. Happily, on 9th March, the deadline was extended generously to 16th March, so AITO's been burning the midnight oil to get its response to the Treasury in time."

What's it all about? From the travel industry's perspective, just one little paragraph buried in the midst of some 201 pages (main document 49 pages, Annex 113 pages and Draft Impact Statement 39 pages).

To cut to the chase, all travel agents and tour operators will have to absorb all credit card charges if the Directive is implemented in its current form. That's 2% straight off the bottom line for AITO Specialist Travel Agents (well, all travel agents in fact), with no escape route.

Says Moore: "In the case of travel agencies, which deal on fixed commissions to sales, averaging 10% to 11%, the current charge to the consumer of 2% (the actual cost incurred) is vital to their survival. This directive will seriously affect their livelihoods."

Ditto for AITO specialist tour operators (well, all tour operators, in fact); many AITO holiday companies currently gently discourage consumers from paying by credit card by pointing out that **AITO operators are fully bonded** (flights, accommodation – even accommodation only, ie beyond current legislative demands) for client financial protection and there is no need for "double protection" by paying via credit card.

Says Moore: "Once the Government's implicit encouragement to the general public to pay for more of their purchases by credit card is in action, holiday costs will of course go up because tour operators work on such slim margins (pre-tax profits of around 1% to 2% are the norm) that there is simply no way of absorbing such additional costs. This backward step is, AITO believes, to the definite disadvantage of the holiday-buying public and to consumers generally."

Moore continues: "It seems ridiculous that the Government should be encouraging people to buy on the 'never-never', as credit was widely termed by our parents and grandparents. Are they trying to help our beleaguered banks by pushing more business their way?"

A poll of AITO members has revealed that, when data is extrapolated from 44 tour operator respondents to include all 119 current AITO members, based on their joint turnover of £1BN, and assuming that all payments were via credit card, such card charges would amount to the substantial figure of £11M per annum.

Moore claims: "The credit card industry is likely to perceive a higher risk to them with more travel business going their way, meaning that they will probably charge holiday companies even more than they are at present.

"The impact of this move will mean that **every consumer is adversely affected** – even those who normally benefit from a lower price when choosing to pay by a debit card or cheque. The public will be by far the loser rather than the beneficiary as a result of this new regulation – the polar opposite, we are sure, of its instigators' aims.

"This forced increase in prices will further fuel inflationary tendencies in the economy, already exacerbated by the fall in the value of sterling against the dollar and the euro.

"Does the Treasury really wish to score such an own goal?"

Ends

Press: For further information on AITO, please visit www.aito.com.

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