

Travel Matters 2014 – Five key learnings to take-away

Senior industry stakeholders and policymakers came together in Westminster in June to discuss the challenges and opportunities ahead as we approach the 2015 General Election. Five key learnings came from the discussions:

1. Growth in the UK economy is strong, but there are reasons for caution.

The UK economy is growing, with robust levels of business confidence, and improving consumer confidence evident. Deloitte's good news on the economic front and growing consumer confidence could be reflected in higher consumer spending in the year ahead. However, two reasons for concern regarding the recovery were highlighted that, taken together, could impact consumer confidence and economic growth. Firstly, the risk of rising interest rates, as mooted by the Bank of England, could dampen consumer confidence. Secondly, the rising level of household debt is raising serious concerns over liquidity, with UK household debt forecast to jump from £1.443 trillion in 2014 to £2.25 trillion by 2019.

2. There is an overcapacity risk in the air seats market, and this could put pressure on price.

Flights at major UK airports grew at a slower pace in early 2014 (with the exception of the South East) than the previous quarter, thus raising concerns about reducing demand and over-capacity in supply. Pickett highlighted that while demand is down by 1% to 2%, capacity is up by 5%. While the industry has managed air seat capacity relatively well in recent years, the risk of overcapacity is putting severe pressure on price.

3. Travel businesses should understand how political uncertainties ahead might affect their businesses.

There is unprecedented political uncertainty on the horizon, with the future of the UK and the country's trading relationship with the world the subject of active debate. The September referendum on Scottish independence and a likely referendum on the UK's continued membership of the European Union, risk perpetuating business and consumer uncertainty.

4. The General Election may be less than a year away, but anything can happen between now and then.

The 2015 campaign will be fought on local issues, constituency by constituency, though the economy and Europe will feature at a national level. However, in an election, predictions are dangerous and anything can happen. Expert pollster Lewis Baston from the London School of Economics predicts another hung Parliament in 2015, where the Lib Dems could again emerge as kingmakers, though this time with a genuine choice of coalition partner, and thus more power than in 2010.

5. Reforms to the UK's financial protection rules will be aligned to a revised PTD from Brussels.

The Government is committed to implementing the changes required to ensure that the UK's financial protection regulations keep pace with consumer's purchasing patterns; however, it is clear that the Department for Transport does not have an appetite for a piecemeal solution. Changes to ATOL will thus be made mindful of the Brussels revision of the Package Travel Directive, and not separate from it.

For more information

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