
Air Travel Insolvency Protection Advisory Committee

ATIPAC Annual Report

March 2007



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Designed by CAA's Consumer Protection Group on behalf of ATIPAC.

Introduction

Dear Ms Kelly

I have pleasure in enclosing the seventh report of the Air Travel Insolvency Protection Advisory Committee (ATIPAC) for the year ended 31 March 2007.

The committee was very pleased with the Government's decision last year to proceed with a formal consultation on replacing bonding with a £1 per passenger ATOL Protection Contribution to be paid by firms holding an Air Travel Organiser's Licence (ATOL). The Department for Transport (DfT) and the Civil Aviation Authority (CAA) issued the consultation on 2 April 2007 and the Committee urges the Government to respond positively to the outcome as soon as possible.

The introduction of the ATOL Protection Contribution will reduce the regulatory burden on tour operators and will consequently reduce costs for many, particularly the smaller operators, in this highly competitive market.

The Committee believes that the introduction of the £1 contribution would also be an opportunity to help educate the travelling public about the benefits of financial protection and the products that are protected.



A handwritten signature in white ink, appearing to read 'John Cox', written over a thin horizontal line.

John Cox OBE
Chairman

Role & Membership of the Committee

The Air Travel Insolvency Protection Advisory Committee (ATIPAC) was established by the Secretary of State for Transport in 2000 to provide advice to the Civil Aviation Authority (CAA), the Trustees of the Air Travel Trust and the Secretary of State for Transport on the financial protection arrangements for air travellers and customers of air travel organisers. Its terms of reference are at Appendix 2 of this Report.

The Committee includes representatives from key trade associations, consumer representatives, independent members and members appointed by the CAA.

In the past few years, the development of the Internet, the establishment of low-cost carriers and changing consumer preferences have transformed the air travel market. More leisure travellers are making their travel

arrangements independently, buying flights and accommodation direct from airlines and accommodation suppliers. As a result, it appeared that the Committee had become less than fully representative of the air travel industry as a whole. Consequently, in 2006, when the membership term of some members was due to expire, the opportunity was taken to review the composition of the Committee. New membership criteria were agreed with the Department for Transport (DfT). As a result new members were invited from airline groups and the on-line travel industry.

The Travel Trust Association (TTA) was invited to propose a representative. Tina Tietjen, Chairman of the Air Transport Users' Council (AUC), was replaced by Simon Evans, AUC Chief Executive. Tim Robinson stood down as an independent member

and two new independent members, Uday Dholakia and Kyrie James were appointed, following a formal recruitment process that represents best practice in making public appointments.

The Committee held four meetings during the year. Traditionally these meetings have been held at the Civil Aviation Authority's office in London but last year one of the meetings was held at Northumbria University. This meeting was hosted by Professor David Grant, and the Committee is grateful for Professor Grant's invitation. The meeting was arranged to coincide with the 'Sixth International Travel and Tourism Policy, Law and Management Conference'.

John Cox - <i>Chairman</i>	Chairman of ATIPAC since its formation in April 2000. Also a past Chairman of the Air Transport Users' Council (AUC).
Richard Jackson - <i>CAA</i>	Representative of the CAA, Group Director of the Consumer Protection Group and CAA Board Member. He is also a Trustee of the Air Travel Trust (ATT).
Bruce Treloar - <i>Trading Standards</i>	Trading Standards Institute Lead Officer for the Holiday & Travel Industry. He represents consumer interests.
Roger Bray - <i>Journalist</i>	Independent freelance journalist with a consumer focus and is an independent representative.
Noel Josephides - <i>AiTO</i>	Council member of the Association of Independent Tour Operators (AiTO), responsible for Industry issues. He is also Managing Director of Sunvil Holidays Ltd.
Andy Cooper - <i>FTO</i>	Nominated by the Federation of Tour Operators, of which he is Director General.
Roger Harvey - <i>Eventia</i>	Chairman & representative of Eventia.
Roger Allard - <i>ABTA</i>	Representative from the Association of British Travel Agents (ABTA), where he is on the Board of Directors.
Lindsay Ingram - <i>AAC</i>	General Manager of Newmont Travel Limited. He represents the Association of ATOL Companies (AAC).
Roger Mountford - <i>CAA</i>	Non-executive member of the CAA and also Chairman and Trustee of the ATT.
Mike Monk - <i>ABTA</i>	Head of Financial Services for ABTA whom he represents.
Simon Evans - <i>AUC</i>	Chief executive of Air Transport Users Council (AUC)
Prof. David Grant - <i>Academic</i>	Director of the Travel Law Centre, University of Northumbria and Editor of the Travel Law Journal. He previously served on the AUC's Council.
NEW - Kyrie James - <i>Independent</i>	Judge at the Asylum and Immigration Tribunal, Legal Member of the Parole Board for England and Wales, Board Member of the Council for Forensic Practitioners.
NEW - Uday Dholakia - <i>Independent</i>	Senior Partner at Global Consulting Ltd. He is an independent member.
NEW - Todd Carpenter - <i>TTA</i>	Chief Executive of Travel Trust Association (TTA).
NEW - John Hanlon - <i>ELFAA</i>	Secretary General of the European Low Fares Airlines Association (ELFAA) and Director of Flybe Ltd.
NEW - Mike Carrivick - <i>BAR UK</i>	Chief Executive of Board of Airline Representatives UK, (BAR UK).
NEW - Iain Lindsay - <i>Internet Community</i>	Senior Vice President and Deputy General Counsel of Sabre Holdings and lastminute.com. He represents the on-line travel industry.

Travel Industry in 2006

Overseas Travel and Tourism statistics¹ show that in the year ending December 2006, visits abroad by UK residents rose by 3% from 66.4 million to 68.4 million. Of this, the number of visits to Western Europe rose by 2% while visits to North America decreased by 2%. Visits to the rest of the World increased by 12%. It is estimated that two thirds of visits abroad were holidays, (as opposed to business travel), just under half of which were package holidays. The level of leisure travel by air has continued to increase year-on-year, while holidays protected by ATOL have remained stable. The proportion of travel protected by ATOL has therefore been eroded from 84% in 2000 to a level of 60% in 2006².

Summer 2006 was difficult for the UK's travel industry. Booking levels suffered early in the season because of the Football World Cup in Germany in June and July. While the overall number of people travelling during that time was estimated to be more or less consistent with previous years, the number of people travelling on

traditional package holidays was lower. The exceptionally good weather in the UK following the World Cup did little to improve booking levels for the industry. In August, new security measures were introduced at all UK airports following security alerts, and this had a detrimental effect on consumer confidence. The trend for holidaymakers to book later, which has become steadily more apparent in recent years, continued in Summer 2006. The combination of these events led to many tour operators having to sell at discounted prices, whilst also having to cope with rising fuel prices. The importance of this continuing trend to late booking is that, although the cost of a failure might be lessened because of fewer customer claims, the risk of failures may well increase.

No-frills carriers now account for approximately 25% of air travel in Europe whereas in 1991 it was just 1%. The large number of European destinations on offer, together with the increasing number of on-line companies offering

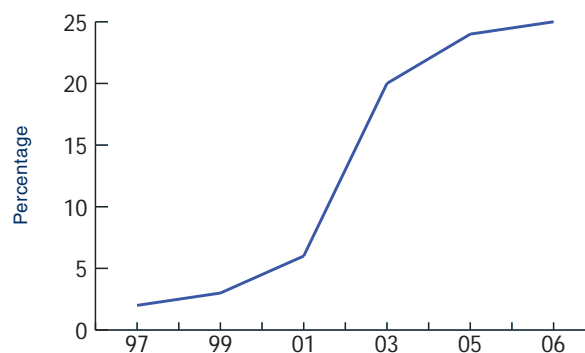
accommodation, makes it easy for consumers to arrange their own holidays.

The no-frills carriers continue to move into the traditional short-haul tour operator markets, and new no-frills carriers have recently started to expand into medium-haul and long-haul destinations. Tour operators are continuing with steps to counteract this; some are moving away from the short-haul destinations served by these carriers and some are offering a more flexible approach to holidays rather than simply offering the traditional 7 or 14-night stays. Others are concentrating more on specialist or niche markets.

1. Overseas Travel & Tourism (MQ6), Office of National Statistics, Crown copyright 2007.

2. ATOL Business Issue 28.

No-frills carriers market share in Europe (of weekly available seats)



Source: European Commission

Market Outlook

In December 2006 the Government announced that the Air Passenger Duty (APD) would double for all flying from 1 February 2007. Airlines had the option of passing the increase on to customers booked prior to the announcement, although not all airlines chose to do so. However, under the 'Package Travel, Package Holidays and Package Tours Regulations 1992' tour operators are not allowed to pass on an increase that was less than 2% of the total holiday cost. As a result, the industry has estimated that the increase in APD would cost UK tour operators around £50 million. The FTO has secured a Judicial Review of the Government's decision and the hearing has been set for July.

Generally the industry initially reported a slow start to the booking period for Summer 2007 holidays, but since the start of the year booking levels have been generally consistent with the previous year. Competition from no-frills carriers, the increase in Internet bookings, the growth of overseas home

ownership and the continuing trend for consumers to arrange DIY holidays rather than book packages, continue to be the main challenges for tour operators. In order to compete, they are being more flexible in the products they offer and taking measures to keep their costs low. Websites are becoming more sophisticated to encourage customers to book holidays or tailor-make travel arrangements online, so keeping costs down. Alternatively, rather than trying to compete with the no-frills carriers, an increasing number of operators are turning to niche and specialist products and, as a result, competition in these markets is increasing.

The announcement in February 2007 that Thomas Cook and MyTravel intended to merge their UK travel sectors was shortly followed by a similar announcement from TUI and First Choice. The industry sees this as being positive for all tour operator businesses in the long term. It is expected that capacity will be cut in order to realise synergies and reduce costs.

A reduction in capacity and stability in selling prices will be welcomed by the industry.

In March this year, European Union Transport Ministers backed an 'open skies' air services agreement with the United States. The deal should boost competition on the North Atlantic routes and could lead to a reduction in fares. It remains to be seen if this will have an effect on the business of the UK's tour operators. The industry has recently seen the emergence of a number of new business-class-only airlines on trans-Atlantic routes and, at the other end of the scale, there has been recent talk of European no-frills carriers moving into this long-haul market in the future.

ATOL Tour Operator Failures

The year ending 31 March 2007 saw the collapse of 27 ATOL holders, an increase of two compared to the previous year. The failure of HCCT Holidays Ltd affected a much larger number of passengers, with 40,000 passengers receiving a refund compared to the 12,500 refunded on the failure of Cruise Promotions the previous year.

The failure of HCCT (Holidays) Ltd in December 2006 was the largest of the year by a significant margin. HCCT, was authorised to carry 69,263 passengers with a revenue of up to £28.5 million, making it one of the top 40 ATOL holders. The collapse of the company did not create a call on the Air Travel Trust, as the bond provided was sufficient. The CAA repatriated 800 passengers and refunded 40,000 passengers at a cost of just over £5 million.

The largest failure was Tapestry Holidays Ltd, which ceased trading in August 2006 – during the peak season. The cost of repatriating 1,462 passengers and 2,700 refunds is expected to reach £4.2 million. As the company provided a bond of £1.7 million, the call on the Trust will be approximately £2.5 million.

During the year, the ATOL scheme enabled 4,706 customers of failed tour operators to complete their holidays and return to the UK, and 54,116 received a refund of advance payments. For the year, total expenditure on claims and repatriations was £14.2 million, of which £3.2 million was provided by the Air Travel Trust.

The CAA examines all failure cases where there is a call on the Air Travel Trust to assess whether the licence holder overtraded. Where this can be demonstrated, action is normally taken against those who provided overtrading guarantees. The CAA issued formal demands against the directors of one licence holder during the period of this report and is carrying out investigations in several other cases. During the year the Air Travel Trustees agreed terms of settlement with the directors/owners of two ATOL holders that failed prior to March 2006. The CAA is also commencing legal proceedings against the directors of a failed ATOL holder.

Details of all the failures can be found at Appendix 1.

State of the Air Travel Trust

The Air Travel Trust's deficit increased to £20,055,252 in the year ended 31 March 2007, of which £881,099 was interest. Claims on the ATT are met by an overdraft which is guaranteed by the Government. The Civil Aviation Act received Royal Assent in November 2006. This provides the Air Travel Trust with powers to replenish the fund, but requires secondary legislation before payments can be collected. Draft Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007 are being consulted on as part of the wider consultation on reform of consumer financial protection. It is expected that Regulations will come into force on 31 March 2008.

The Committee welcomes the introduction of legislation to replenish the fund, a measure for which it has been pressing for well over a decade.

There were five calls on the Trust, as follows:

All in 1 Travel Ltd required £10,000 in addition to a bond of £108,000.

Tapestry Holidays Ltd required £2.5 million in addition to a bond of £1.7 million.

Travel World International Ltd required £294,000 in addition to a bond of £934,000.

Dedicated Holiday Group Ltd required £382,000 in addition to a bond of £598,000.

A I (Leisure) Ltd required £48,000 in addition to a bond of £639,000.

Passengers repatriated
by ATOL from resort

4,706

Number of ATOL claimants
who received a refund

54,116

Amount ATOL
refunded in claims

£14.2m

Future of Financial Protection

The Committee has previously expressed its concern about the reduction in financial protection for air passengers. It has noted the continuing growth of no-frills carriers and the increasing availability of individual holiday components, which has allowed passengers to book their flight and hotel separately. The Tour Operator and consumer members of the Committee continue to seek action to ensure that consumers are protected, regardless of how they booked their holiday. The proposed review of the Package Travel Directive provides another

opportunity to review financial protection. The Committee will ask the Government to ensure it takes this opportunity to review protection needs. In respect of sales made directly to their customers, the airline members of the Committee have a different view. They believe that the voluntary measures they have previously demonstrated (including the sale of airline failure insurance and informal arrangements to repatriate passengers for a set cost, where capacity is available) have provided sufficient protection for direct sales.

Reform of ATOL Bonding

In November 2005 the Government asked the CAA to look at whether tour operators' costs could be reduced through a reform of ATOL bonding. The CAA issued an informal consultation in April 2006 seeking the views of the industry. The results were published in July 2006 and showed that there was overall industry support for the proposal. The DfT asked the CAA to carry out some further work to establish the economic viability of a fund based on a per-passenger contribution. The work was delayed to await the outcome of the Judicial Review and the impact this could have on the level of business covered by ATOL. Following the Court of Appeal Judgment in October 2006 the CAA was able to discuss the impact with the industry and incorporate their views into the analysis of the fund.

The DfT and CAA jointly launched a formal consultation on 2 April 2007 seeking views on reforming ATOL bonding and replenishing the Air Travel Trust Fund. The consultation included a partial regulatory impact assessment and draft Air Travel Trust Regulations. The proposal is based on a £1 per passenger contribution to be paid by tour operators to be called the "ATOL Protection Contribution" or "APC". This links the charge closely to the ATOL scheme and makes clear the nature of the payment.

The proposed reform allows for simplification of the ATOL system along with the introduction of targeted monitoring. There is also an opportunity to raise consumer awareness by including statements on invoices, brochures and websites where a booking is ATOL Protected. If the proposal receives support, the proposed implementation date would be 1 April 2008.

The consultation was issued just after the end of the period covered by this Report, but has been included due to its importance to tour operators and consumers. The Committee strongly supports reform of the ATOL system and the associated deregulatory benefits that can be delivered to tour operators. It also welcomes the opportunity to provide clarity to consumers by including a statement on documentation supported by an appropriate consumer awareness campaign.

Further Developments

Definition of Travel Packages

ABTA challenged the CAA's Guidance Note which set out its interpretation of a package and applied for a Judicial Review. This was heard in the High Court in November 2005. In the event, the judgment found in favour of ABTA and quashed the CAA's Guidance Note. There were differing opinions within the industry on the Judgment and there was a need for further clarity. The CAA appealed the decision and the appeal was heard in June 2006. The Court of Appeal issued its judgment in October 2006.

The Court of Appeal found that the Guidance Note was misleading, or potentially misleading, to the uninformed reader and that it should be withdrawn. Following the decision there was a mixed reaction from the industry with some parts welcoming clarity while others were concerned that there was still a great deal of confusion. The DTI agreed to produce some industry guidance and has been working on this with other Government departments and the CAA. Draft guidance will be discussed with the industry before it is published, but at the date of this report had not been circulated by the DTI. ATIPAC is disappointed by the amount of time

taken by the Government to produce this guidance.

The Committee has been concerned for some time about the confusion customers face when booking a holiday. It has also been concerned about travel companies that seek to artificially segment their business to avoid selling "packages", with the result that the protection provided by the Package Travel Regulations, both in terms of financial protection and customer liability, is removed. We hope to see clarification both for the industry and for consumers.

Consumer Acquis

In January 2007, the Commission issued a Green Paper on the Review of the Consumer Acquis (eight European Directives aimed at protecting consumers) which includes the Package Travel Directive. The aim of the review is to modernise the consumer directives in order to simplify and improve the regulatory environment for business and consumers. The Green Paper suggests consideration of developing a "horizontal instrument" which would amalgamate the common issues across all of the directives into one Directive. Directive specific requirements, such as the financial

protection arrangements for Package Travel, would be contained in individual directives or "vertical instruments".

The Green Paper also considers the degree of harmonisation. Currently, the Directives are based on minimum harmonisation which allows Member States to have higher protection levels than provided for. Consideration is being given to changing this to maximum harmonisation which would prevent Member States from going beyond the specified requirements.

It is expected that a separate Working Paper will be issued by the Commission no earlier than July to consider the Package Travel Directive. The Committee's Members will continue to engage with the DTI and the Commission on this important issue.

Credit Cards

The Royal Bank of Scotland has been in negotiation with the CAA about a new agreement to cover credit card sales. The CAA was concerned that the agreement should provide benefits to the industry; some of the trade association members attended a briefing by the Royal Bank of Scotland, which set out how the agreement would work in practice. It was agreed that there was a benefit to the industry and the CAA proceeded on the basis of the Committee's advice. The agreement is with the Bank for completion.

The CAA also provided briefing to the Committee on legal advice it had received regarding credit card issuers being responsible for sales made through travel agents. Previous legal advice had been that credit card issuers were only responsible for direct sales. The Committee was concerned about the impact on the industry of a potential change in CAA and/or Air Travel Trust policy and sought to maintain the status quo. The CAA is continuing to discuss this issue with the Association of Payment Clearing Services (APACS) the trade organisation that represents the banks.

Conclusion

The past year has seen a further decline in the amount of air travellers that are financially protected and there is still consumer confusion about whether or not the products they purchase are protected.

The Committee was pleased that the outcome of the informal consultation conducted by the CAA in April 2006 showed that the industry was in favour of a reform of ATOL bonding. The introduction of the APC will reduce costs and a significant part of the regulatory burden for the industry. The proposals put forward in the consultation include a suggestion for targeted monitoring of licence holders with no reduction in the quality of financial monitoring currently undertaken.

The Committee believes that the introduction of the APC is a “golden” opportunity to increase consumer awareness by having clear statements on advertising and invoices when products are financially protected. This should be complemented by an appropriate and effective consumer awareness campaign.

Even though the introduction of a reform in ATOL bonding would not cover all air travellers, the Committee is pleased that this is a step in the right direction

AAC	Association of ATOL Companies The AAC represents around 60 ATOL holding companies of varying sizes
ABTA	Association of British Travel Agents ABTA is a trade association and regulatory body with over 6000 members
AITO	Association of Independent Tour Operators AITO represents over 150 independent specialist tour operators
APACS	Association for Payment Clearing Services APACS is the UK trade association for credit card payments and services
APC	ATOL Protection Contribution Proposed levy on tour operators of £1 for each ATOL-protected passenger
APD	Air Passenger Duty An excise duty that is charged on the carriage of passengers from UK airports
ATOL	Air Travel Organisers' Licensing The statutory consumer protection scheme set up and managed by the CAA to protect the consumer in the event of a tour operator failure
ATT	Air Travel Trust The reserve fund to back up ATOL bonds. It is currently in deficit
AUC	Air Transport Users Council UK consumer watchdog for the aviation industry funded by the CAA
BARUK	Board of Airline Representatives in the UK Industry association for scheduled airlines operating in the UK
DfT	Department for Transport Government department responsible for transport issues
DTI	Department of Trade and Industry Government department responsible for trade, business and consumers
ELFAA	European Low Fares Airline Association Representing the no-frills airlines in Europe, with 10 members
FTO	Federation of Tour Operators Trade organisation for tour operators. It is proactive on health and safety issues
TTA	Travel Trust Association Non-franchise trade association operating trust accounts for independent travel agents in the UK

Details of Bonds Called - April 06 to March 07

1. The administration of the cases may not have been completed. Administration costs which were incurred in paying passengers' refunds have been included in the Cost of Refunds.

2. The figures for total expenditure and any call on the Air Travel Trust include amounts already spent plus estimated further expenditure.

LICENCE HOLDER	Bond Called	No. Passengers	ATOL Revenue	Bond Amount
			£'000	£'000
Osmani Travel Ltd	6 Apr 06	296	151	16
Holiday Travel Essentials Ltd	6 Apr 06	81	65	10
First Call (London) Ltd	26 May 06	240	96	14
Skyflights Ltd	15 Jun 06	1,331	170	25
Transtours Centre Ltd	21 Jun 06	402	300	151
All in 1 Travel Ltd	30 Jun 06	496	243	108
Philippine Travel Ltd	10 Jul 06	100	120	28
Incentive & Conference Centre Ltd	12 Jul 06	1,220	1,179	412
Services Travel Centre Ltd	4 Aug 06	1,180	260	36
Tapestry Holidays Ltd	10 Aug 06	19,772	11,154	1,700
Travel World International Ltd	15 Aug 06	24,811	6,308	934
Dedicated Holidays Group Ltd	1 Sep 06	14,670	5,978	598
Holiday Index Ltd	8 Sep 06	6,625	1,930	241
Centre Travel 1990 Ltd	22 Sep 06	250	100	15
Solar International Travel Ltd	26 Sep 06	312	236	41
Masterplan Publishing Ltd	26 Sep 06	5,220	3,065	481
Champion Travel Agency Ltd	29 Sep 06	240	80	10
A I (Leisure) Ltd	17 Oct 06	1,979	5,768	639
Open Holidays Ltd	24 Nov 06	450	270	153
HCCT (Holidays) Ltd	13 Dec 06	169,263	28,468	6,987
Travel5Live Ltd	17 Jan 07	2,493	1,798	360
Travellers Way Ltd	24 Jan 07	2,023	1,200	120
Alpha Holidays Ltd	6 Feb 07	120	72	100
The Villa Collection	7 Feb 07	660	474	337
B P Tours & Travel Ltd	5 Mar 07	671	33	10
Air Connections Ltd	27 Mar 07	630	202	21
Travel & Tours Anywhere Ltd	30 Mar 07	2,650	4,557	901
TOTAL: 27 Failed Companies	TOTAL:	258,185	74,275	14,447

3. Where a call on the Air Travel Trust is indicated, this is the difference between expected total expenditure and available bond monies. The call on the Air Travel Trust may include the expenditure of accrued interest.

4. The totals may not agree to the sum of the figures shown in the table due to rounding differences.

No. Repatriated	Repat' Cost	No. Refunded	Cost of Refunds	Expenditure	ATT Call
	£'000		£'000	£'000	£'000
1	0	6	4	4	0
0	0	10	1	1	0
15	2	35	8	10	0
0	0	113	15	15	0
4	2	31	34	35	0
10	2	291	116	118	10
0	0	10	13	13	0
0	0	4	10	10	0
0	0	50	27	27	0
1,462	1,059	2,700	3,184	4,243	2,543
1,000	556	6,633	672	1,228	294
769	244	1,946	736	980	382
0	0	250	52	52	0
0	0	0	0	0	0
0	0	0	0	0	0
180	101	250	163	263	0
0	0	11	5	5	0
26	23	940	663	687	48
2	0	14	8	8	0
800	206	40,000	4,904	5,109	0
120	86	338	269	355	0
17	10	198	81	91	0
0	0	6	2	2	0
0	0	200	120	120	0
0	0	0	0	0	0
0	0	0	0	0	0
300	643	80	230	873	0
4,706	2,934	54,116	11,317	14,251	3,278

ATIPAC Constitution & Terms of Reference

Establishment and Role of the Committee

1. The Air Travel Insolvency Protection Advisory Committee ("the Committee") is established by the Secretary of State for Transport to advise on the financial protection arrangements for air travellers and customers of air travel organisers.

Composition of the Committee

2. Members of the Committee shall be drawn from:

Association of British Travel Agents	Two Members
Federation of Tour Operators	One Member
Association of Independent Tour Operators	One Member
Association of Airline Consolidators	One Member
Eventia	One Member
Travel Trust Association	One Member
Air Transport Users Council	One Member
Trading Standards	One Member
Internet Community	One Member
European Low Fares Airlines Association	One Member
BARUK	One Member
Independent representatives not associated with any organisation represented on the Committee	Three or four Members, (one of whom is Chairman)
Other representatives of consumer interests	One or two members
Civil Aviation Authority (CAA)	Two Members

Appointments to the Committee

3. Members shall be appointed by the Chairman of the CAA, for periods specified at the time of appointment; Membership periods should normally be periods of 4 years. Members may resign at any time. The CAA Chairman will consult the Chairman of the Committee before appointing Members other than from trade associations and the CAA.
4. Each represented body should nominate to the CAA two alternates, who may attend any meeting in the absence of that body's appointed Member(s).
5. If the Chairman of the CAA is satisfied that a member has been absent from meetings of the Committee for more than three consecutive meetings or is satisfied that a member is otherwise unable or unfit to discharge the functions of a member of the Committee he may declare the membership vacant.

Meetings of the Committee

6. The Committee shall determine its own procedures for and frequency of meetings, including any requirement for a quorum.

Duties of Committee

7. The Committee shall keep under review and from time to time advise the CAA, the Trustees of the Air Travel Trust and the Secretary of State for Transport on the arrangements for the financial protection of air travellers and customers of air travel organisers.
8. In particular it shall:
 - advise the CAA and the Secretary of State as appropriate on any changes to the structure of protection that it concludes are necessary or desirable;
 - advise the CAA and the Trustees on the use of their discretion when making payments from bonds and from the Trust;
 - advise on bonding arrangements and bond levels;
 - advise on agreements between the Trustees, the CAA and third parties such as credit card companies;
 - advise the Secretary of State on the need for a reimposition of a levy on the holders of Air Travel Organisers' Licences in order to replenish the Trust Fund, and advise the CAA and the Secretary of State (as appropriate) on the implementation of such a levy.
9. The Committee shall submit to the Secretary of State an Annual Report on its activities in each year ended 31 March within four months of the end of that year. The Committee shall draw to the Secretary of State's attention at any time matters of concern on which, in its view, action is necessary.

Administrative Arrangements

10. Reasonable out of pocket expenses directly incurred by Members of the Committee in attending meetings shall be reimbursed by the CAA.
11. The CAA shall provide administrative support to the Committee.

The Department of the Environment, Transport and the Regions
April 2000

Amended by the Department for Transport
July 2006

