
Air Travel Insolvency Protection Advisory Committee

ATIPAC Annual Report

March 2006

Advising on Financial Protection for Air Travellers



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Introduction

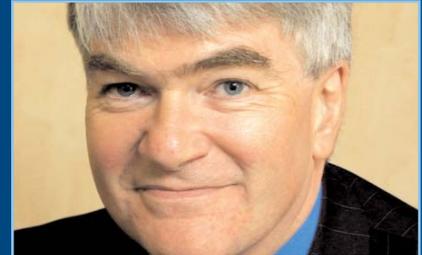
Dear Mr Alexander

I have pleasure in enclosing the sixth report of the Air Travel Insolvency Protection Advisory Committee for the year ended 31 March 2006.

The Committee very much welcomes the Government's intention to reduce the regulatory burden on tour operators and supports the proposals the CAA has made to introduce a Consumer Protection Charge of £1 to replace bonding. The Committee would ask the Government to respond immediately to the outcome of the consultation so that the industry can take advantage of deregulatory benefits as soon as possible. Although the reform of bonding provides some benefits to tour operators, it still fails to address the issue of customer confusion.

However, the Committee is very disappointed that the Government has failed to accept the CAA's advice on extending financial protection to all air travellers. The further drop in ATOL protection, down to 61% in 2005, shows that financial protection continues to be eroded. It is aware that some tour operators are reorganising their businesses to avoid the ATOL Regulations and discontinue the need for financial protection of their customers. This is profoundly worrying. The confusion that surrounds financial protection and consumers' continuing belief that they are protected will get worse. The Government has missed an opportunity to provide consumers with unambiguous financial protection and clarity for the very small cost of £1 per flight, collected by the airline or tour operator, but paid by the customer. It does not constitute the imposition of a regulatory burden, but merely a universal form of financial protection financed by travellers themselves.

The lack of clarity about consumer rights in this area, and the incomplete nature of current ATOL protection, have led the CAA to carry out some PR activity explaining the benefits of booking with an ATOL holder and ways of protecting DIY holidays. Consumer education campaigns with complex messages are difficult, expensive and usually ineffective. The Committee is convinced that the challenges outlined in this Report can be met in full if the Government reconsiders its approach to extending financial protection to all air travellers.



A handwritten signature in black ink, appearing to read 'John Cox', written in a cursive style.

John Cox OBE
Chairman

Role & Membership of the Committee

The Air Travel Insolvency Protection Advisory Committee was established by the Secretary of State for Transport in 2000 to provide advice to the Civil Aviation Authority, 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 affected by Air Travel Organiser Licensing (ATOL), consumer representatives, independent members and members appointed by the CAA.

The Committee held four meetings during the year.

| | |
|--|--|
| John Cox <i>Chairman</i> | John Cox has been Chairman of ATIPAC since its formation in April 2000. He was 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. |
| Bruce Treloar <i>Trading Standards</i> | Trading Standards Institute Lead Officer for the Holiday & Travel Industry. He represents consumer interests. |
| Tim Robinson <i>Consultant</i> | Corporate & Commercial Affairs Consultant and is one of the independent members. |
| Tina Tietjen <i>AUC</i> | Current Chairman of AUC and Chairman of the Women's Royal Voluntary Service, she holds a number of other non-executive positions in both public & private sectors. |
| Roger Bray <i>Journalist</i> | Independent freelance journalist with a consumer focus and is an independent representative. |
| Noel Josephides <i>AiTO</i> | Managing Director of Sunvil Holidays Ltd. He represents the Association of Independent Tour Operators (AiTO), of which he is a Council member responsible for Industry issues. |
| 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. |
| Roger Mountford <i>CAA</i> | Non-executive member of the CAA and also Chairman and Trustee of the Air Travel Trust . |
| Mike Monk <i>ABTA</i> | Head of Financial Services for ABTA whom he represents. |
| 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. |

Travel Industry in 2005

In the 12 months to September 2005 the number of passengers taking ATOL protected flights and holidays fell by 2.6% to 27.3 million passengers. However, the average price paid increased from £481 to £514 and, consequently, the overall revenue taken rose to £14 billion, an increase of £0.5 billion on the previous year.

There was some movement across the largest ATOL holders in 2005 with considerable growth in the on-line sector. The Top 10 ATOL Groups now contain three on-line Groups, Expedia, Cendant and Sabre. Traditional operators have also re-positioned their businesses and are seeking to benefit from selling their products on the internet.

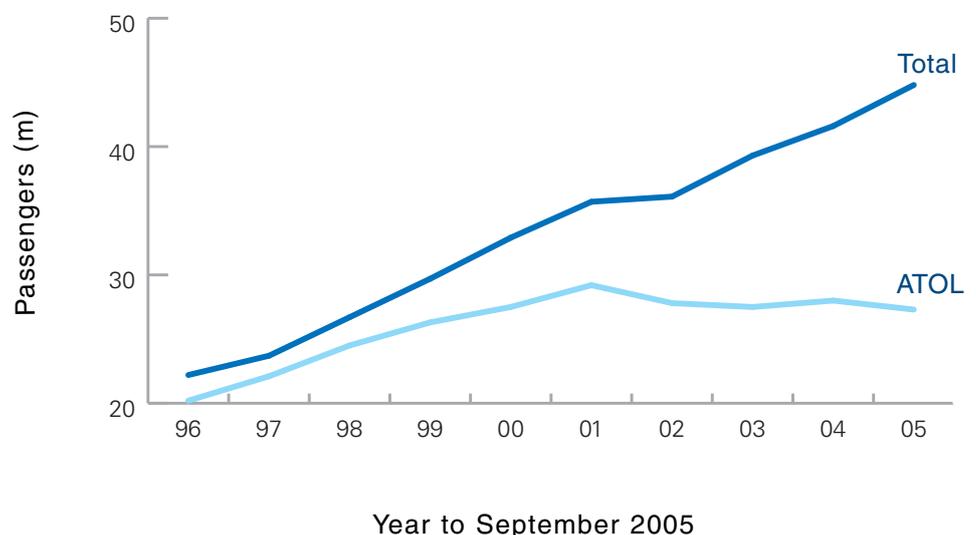
The proportion of total leisure travel by air protected by ATOL continued to fall and now stands at 61%, a reduction of 37% since 1997. The category of ATOL protected passengers that saw the greatest drop in 2005 was scheduled sales which declined by 9.1%. The increase in non-ATOL sales, as shown in graph 1, suggests that ATOL holders in the seat-only market are struggling to compete with airlines, which have successfully increased their direct sales over the internet.

Overseas Travel & Tourism Statistics¹ show that in the year to December 2005 growth in passenger numbers to European countries was 4% and overtook the small growth in passenger numbers to North

America of just under 1%. Within Europe, the main growth was to non-EU countries, including Turkey, Egypt, Tunisia, Morocco and the states of the former Yugoslavia, with an increase of 24%. However, the member states that joined the European Union in May 2004 also showed a growth of 14%. These new EU member states, including Poland, Estonia, Latvia, Lithuania, Slovenia and Slovakia, have all seen new routes introduced by the no-frills carriers. The number of passengers travelling to long haul destinations continued to grow, with an increase of 13%.

1. Overseas Travel & Tourism (MQ6), Office of National Statistics, Crown copyright 2006

Graph 1: Growth of Leisure Air Travel



Market Outlook

The demand for air travel continues to grow, despite the fall in ATOL protected passengers. Recent CAA air traffic statistics² showed that UK airports handled 229 million passengers in 2005 - an increase of 6% on the previous year. The trend for passengers to book flights independently (and not through an ATOL Holder) also appears to be on the rise. The report also confirms the decline in the number of charter seats and an increase in scheduled capacity.

The health of the economy affects the spending habits of consumers and this will, in turn, affect the demand for holidays. In a report published by the British Retail Consortium³, UK retail sales fell by 1.3% in January 2006, which was the worst January for retailers since 1995. Forecasters expect consumer spending to recover by around 2% in 2006, although rising energy prices are also expected to influence spending habits. With tour operators attempting to control package prices, they may be unable to push up prices to offset the increase in costs, and this will squeeze profit margins. This may result in further cost cutting as already seen in some of the larger tour operators.

The main tour operators see competition from the no-frills carriers and the consumer's desire for value for money as their main challenges. More people are booking flights and accommodation independently. The tour operating groups are aware that, if they are to compete with no-frills carriers, they must keep their own costs under the strictest control. There is also constant pressure on small travel agents to develop the right product, at the right price, in order to avoid a decline in their overall business. The Committee believes this downward trend is set to continue.

Fuel costs were exceptionally high during 2005 and airlines dealt with this cost in different ways. Some applied fuel supplements whilst others increased the basic ticket price. Although fuel surcharges have not had a noticeable impact on demand, the future effect on the aviation industry is less clear. The effects of high fuel costs in the UK could have an increasing impact during 2006.

2. Air Traffic Movements at UK Airports in 2005 - CAA Statistics

3. First Trust Bank; Economic Outlook and Business Review March 2006.

Market share of
ATOL Protected flights

61% ▼

ATOL Protected flights
& holidays fell by

2.6% ▼

Average price
per passenger

£514 ▲

ATOL Tour Operator Failures

In the year ending 31 March 2006, 25 ATOL-holding travel companies collapsed. This total is 11 more than in the previous year and reverses a steady downward trend in failures in recent years.

The largest of these failures was that of Cruise Promotions Ltd. During October 2005, its collapse required a significant rescue and refund exercise. Approximately 600 passengers travelled to Egypt on the day of the failure and ATOL guaranteed the cruise element of their holidays. Approximately 12,500 people had made advanced bookings and roughly £4.2 million of advance payments have therefore been paid in compensation. Total expenditure was approximately £4.6 million, of which £3.1 million was provided by the Air Travel Trust.

In the year ending 31 March 2006, ATOL enabled 1,754 customers of failed tour operators to complete their holidays and return to the UK, and 21,858 received a refund of advance payments. For the year, total expenditure on claims was £8.8 million, of which £4.7 million was provided by the Air Travel Trust.

The CAA examines all failure cases. Where there is a call on the Air Travel Trust, the CAA will also assess whether the licence holder overtraded. Where this can be demonstrated, action is usually taken against the people who provided overtrading guarantees. The CAA has issued formal demands in respect of four of the cases listed above.

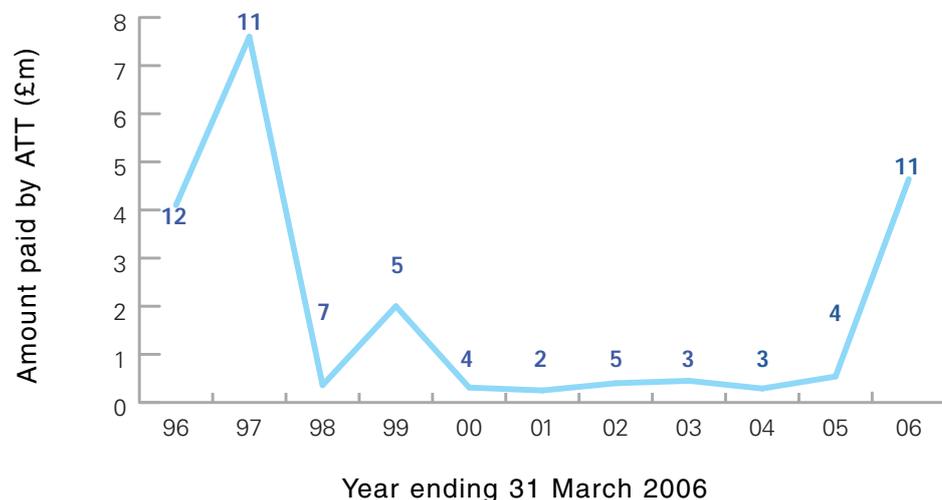
Details of all the failures can be found at Appendix 1.

State of the Air Travel Trust

The Air Travel Trust Fund remains in deficit and calls on it are met by an overdraft that is guaranteed by the Government.

It is anticipated that the Civil Aviation Bill, which includes powers to replenish the Air Travel Trust Fund, will receive Royal Assent during 2006. This would enable, subject to secondary implementing legislation, the introduction of a per passenger charge. The Committee welcomes this development as the long overdue first step to place the Fund on a firmer footing.

Graph 2: Number & Amount of Calls on ATT



11 of the failures resulted in a call on the Trust, as follows:

Safe Travel Ltd required £5,000 in addition to a bond of £20,000.

Pleasurebeach Ltd required £26,000 in addition to a bond of £10,000.

Action Travel Ltd required £263,000 in addition to a bond of £45,000.

Onshine Ltd required £490,000 in addition to a bond of £162,000.

Garba, S. trading as Startrek Travel required £136,000 in addition to a bond of £250,000.

Cruise Promotions Ltd required £3.1 million in addition to a bond of £1.4 million.

Phileas Fogg Travel Ltd required £278,000 in addition to a bond of £15,000.

Wadebay Ltd required £325,000 in addition to a bond of £320,000.

Finlandia Travel Agency Ltd required £50,000 in addition to a bond of £438,000.

Jetline Express Worldwide Travel Ltd required £54,000 in addition to a bond of £31,000.

Raho Travel Ltd required £6,000 in addition to a bond of £585,000.

Passengers repatriated by ATOL from resort

1,754

Number of ATOL claimants who received a refund

21,858

Amount ATOL refunded in claims

£8.8m

Future of Financial Protection

The Committee first looked at this issue in 2002, amidst the growth of no-frills carriers and the increasing use of the internet to book holidays. These forces were encouraging more travellers to arrange their own holidays by booking a flight on a no-frills carrier and then separately booking their hotel accommodation.

The Committee has highlighted the decline in ATOL protected passengers in its last three Reports. This trend continues and there are now an increasing number of passengers, booking their holidays independently, who are unprotected against the failure of suppliers such as airlines, hotels etc. This year showed a further reduction of 2.6% in the number of passengers covered by ATOL - down to 61% of total leisure air travellers. The Committee noted last year that it had serious concerns about the erosion of ATOL as an effective scheme. The failure of EUjet provided firm evidence that a high proportion of consumers were unaware they were not protected (27% of passengers abroad at the time of failure did not know they had no protection and 40% mistakenly thought they were protected by ATOL, ABTA or their travel insurance).

The "All Flights" Levy Proposal

On 22 September 2005, the CAA published its advice to the Government on Financial Protection for Air Travellers and Package Holidaymakers in the Future. The advice set out the CAA's assessment of the issues and its recommendation, in response to the Government's request, based on an economic analysis by Ernst & Young. The CAA recommended that the scope of the protection system should be extended to protect all air travellers flying from the UK on international flights funded by a £1 levy per passenger on air tickets.

Alongside publication of the document, the CAA held a seminar to which representatives of the aviation and travel industries and consumers were invited to discuss the CAA's findings.

The CAA's proposal for future protection arrangements received strong support from consumer representatives including the Consumers' Association, the Air Transport Users Council and the Trading Standards Institute, as well as the travel trade associations, ABTA, FTO and AiTO.

However, on 10 October 2005, the Government

announced that it had not accepted the CAA's advice. Instead, the Government asked the CAA to carry out a further piece of analysis, which while attempting to bring some de-regulatory benefits to ATOL holders by replacing bonding with a levy, maintained the existing scope of ATOL.

The Government's decision came as a profound disappointment to the Committee; this was a wasted opportunity to deal with an important issue of consumer protection. The Committee is surprised that the Government has failed to provide a convincing explanation of why it took this decision. Members continued to lobby the Government and the House of Lords to amend the Civil Aviation Bill so that financial protection covers all UK-departing flights (both scheduled and charter). There was cross-party support for a £1 levy on air travel. In the House of Commons, 161 MPs signed an Early Day Motion in support of the proposal. In the House of Lords the proposed amendment to the Civil Aviation Bill was defeated by just four votes. The Committee would like to thank ATIPAC Members for all their efforts.

Transport Committee Hearing

The House of Commons' Transport Committee held a hearing on Financial Protection for Air Travellers in November 2005, as a follow up to the Government's decision. It was a chance for the Transport Committee to hear from the CAA about the failure of EUjet and to question the Parliamentary Under Secretary of State, Karen Buck, about the Government's decision.

The CAA had presented its paper on the failure of EUjet to the Committee as part of its evidence. EUjet was a small airline licensed in Ireland and therefore regulated by the Irish authorities. However, its main operational base was at Kent International Airport (Manston) to destinations mainly in Spain and Portugal. Its failure left 12,000 passengers stranded abroad and 27,000 yet to travel, demonstrating the hardship for holidaymakers and the considerable confusion surrounding financial protection.

The Transport Committee expressed its disappointment that the Government had rejected the CAA's recommendation. Its report entitled "Financial Protection for Air Travellers; Abandoning Effective Protection", published in February 2006, urged the Government to rethink its decision.

Replenishment of the ATTF and Reform of Bonding

The Government has asked the CAA to consult with industry as to whether a passenger charge, the original purpose of which was simply to replenish the Air Travel Trust Fund, might be extended to enable ATOL bonding to be replaced with a less onerous means of meeting ATOL holders' financial protection obligations to consumers. The CAA considers that the removal of bonding would bring significant de-regulatory benefits overall to industry. It issued a consultation document in April 2006, which included a proposal to replace bonding with a per-passenger £1 Consumer Protection Charge (CPC), paid in respect of booking ATOL flights or packages.

The current ATOL system is complex and the removal of bonds would allow the CAA to simplify the system and to provide significant de-regulatory benefits to tour operators. Alongside simplification measures, the CAA has had to look at necessary safeguards to

prevent any disproportionate increase in the costs of failure that would be met by the Fund. Its proposal therefore includes a risk-based approach where it would target higher risk companies.

If industry supports a change, it is expected that a CPC will be introduced on all bookings taken after September 2007. This will be subject to a second formal consultation over summer 2006 on the implementing legislation.

Although the consultation was issued shortly after the end of the period covered by this Report, the Committee feels it is important to mention this piece of work. It strongly supports the CAA's proposal, in principle, and would welcome a simplified system and any associated cost savings to tour operators. It also supports the move to a more risk based approach, targeting high risk companies or groups of companies, as it believes it is extremely important to safeguard consumer confidence within the travel industry.

Further Developments

Definition of Travel Packages

Since the ATOL Regulations were amended in 2003 to bring them in line with the Package Travel Regulations (PTR), there have been differing views on what types of sale constitute a “package”. The Committee established a working group made up of representatives from the CAA, ABTA and AiTO to consider this issue, but it was unable to agree on all the issues. Subsequently, the Department for Trade and Industry, the government department responsible for the PTR, was also consulted and in March 2005 the CAA issued a Guidance Note setting out its interpretation of a package.

Immediately after the guidance appeared, ABTA applied to the High Court for a Judicial Review of the CAA’s advice, which was heard by Mr Justice Goldring in November 2005. The High Court’s decision in January 2006 found in favour of ABTA and the judgement quashed the CAA’s Guidance Note. The CAA took the decision to appeal, based on evidence that there were differing opinions on the judgment within the industry and concern about a general need for clarity. The appeal was heard in the Court of Appeal in late June.

The Committee hopes that the Appeal will provide clarity for the industry and consumers on this important issue.

ABTA’s changes in membership criteria

ABTA announced changes to its membership criteria at the end of January 2006. ABTA will no longer impose a requirement on all its members to provide audited accounts and will allow members to provide financial protection for package holidays in any manner permitted by the PTR. ABTA will also place a cap on the amount that tour operators can claim from them following the failure of an ABTA retailer. The most significant change for consumers is that ABTA will no longer provide a financial protection guarantee for all bookings made with an ABTA travel agent. Following a travel agency failure, if the consumer’s booking has not been placed with a tour operator, there will be no financial protection. Consumers will therefore be forced to take action against a failed company in the same way as any other unsecured creditor.

The Committee Members fully understand that ABTA is a commercial organisation and must respond to a changing travel industry. However, they do regret the reduction in consumer protection. For many years, ABTA has presented itself as the consumers' protector, with a comprehensive policy of protection in the case of failure of a travel agent. The Committee recognises the strong brand awareness that ABTA has with the public and the perception that booking with an ABTA travel agent provides a comprehensive financial guarantee. ABTA has now repudiated that policy, with the result that consumers will be even more confused over their position in the case of an ABTA member. The Committee Members believe it is essential that in future ABTA provides clear, explicit and unambiguous information in respect of the protection arrangements it will provide to consumers.

Review of the Package Travel Directive

Since 1985, the European Commission has adopted several directives on particular aspects of consumer protection law. These directives, that include the Package Travel Directive, constitute the European Consumer Acquis.

In 2004, the Commission embarked on a review of the Consumer Acquis. The aim of that review is to evaluate to what extent the current directives have in practice met the Commission's consumer protection and internal market goals, looking at how they are applied in the different Member States. It is also an opportunity to simplify and rationalise these directives in line with better regulation principles. That review will be based on a study done by law academics commissioned by the Commission, which will be published in Autumn 2006.

Moreover, the Commission will publish a detailed report on the review in the second half of 2006 before consulting experts and stakeholders from all the different Member States.

The DTI is keen to engage proactively in the review process and commissioned a study and consultation on how the Consumer Acquis might be improved. Stakeholders' responses will inform the DTI input to the Commission's review. There will be a formal UK consultation when negotiations begin on any future EU legislation.

Several ATIPAC members' organisations have already engaged with the DTI on the Package Travel Directive. The CAA has submitted a response to the DTI consultation.

The Committee's members are keen on taking part in the process of the review of the Package Travel Directive at a national and European level.

Conclusion

As before, many threads of the Report this year focus on declining financial protection and confusion about whether products are financially protected. Consumers and the travel industry are both struggling to identify where financial protection applies. The industry faces a difficult time in educating consumers following the change in ABTA's financial protection and this has added to the air of uncertainty pending the appeal hearing on the Judicial Review and confusion in the industry over what the term "package" really means. Consumers on the other hand carry on booking their holidays in a variety of different ways, usually assuming that they are all financially protected.

The Committee endorsed the CAA's work on extending financial protection to all air travellers and finds it hard to comprehend that the Government missed such a golden opportunity to provide real clarity and protection to consumers. The failure of the Government to take action has resulted in a further decline in the coverage of the ATOL system and has led to a new feeling within the industry that the "Wild West" is in the process of taking over. Due to the Government's lack of interest in financial protection, many operators are deciding not to protect their customers and are re-organising their businesses accordingly. They are also deciding whether or not to tell their customers about financial protection, but given the uncertainties surrounding the definition of a package, it is difficult for the CAA to take any immediate action.

Consequently, there is a considerable danger that the unprotected "Wild West" will continue to grow and fundamentally damage the reputation of the industry.

The Committee urges the Government to respond immediately following the results of the CAA's consultation on reforming bonding. Action should be taken quickly to ease the burden on tour operators and ensure that a clear message about protection can be communicated to the public as soon as possible. It is not good enough to wait for a major failure, with thousands stranded or out of pocket, to force a knee-jerk change in policy. The issues require a deliberate, comprehensive solution. Consumers are entitled to expect that of the Government.

Details of Bonds Called - April 05 to March 06

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 |
| Greek Tourism- Travel Ltd | 5 May 05 | 330 | 89 | 17 |
| Safe Travel Ltd | 17 May 05 | 420 | 192 | 20 |
| Pleasurebeach Ltd | 15 Jun 05 | 87 | 43 | 10 |
| Action Travel Ltd | 29 Jun 05 | 650 | 300 | 45 |
| Onshine Ltd | 24 Aug 05 | 1,500 | 446 | 162 |
| Garba S t/as Startrek Travel | 07 Sep 05 | 3,170 | 1,058 | 250 |
| Arrowguide Ltd | 14 Sep 05 | 970 | 260 | 81 |
| London House Travel plc | 16 Sep 05 | 613 | 210 | 42 |
| Donald Mackenzie (Travel) Ltd | 7 Oct 05 | 3,168 | 1,525 | 90 |
| Cruise Promotions Ltd | 10 Oct 05 | 12,259 | 7,799 | 1,460 |
| P A Travel Ltd | 27 Oct 05 | 440 | 150 | 63 |
| Phileas Fogg Travel Ltd | 4 Nov 05 | 400 | 100 | 15 |
| London Air Travel plc | 14 Nov 05 | 12,000 | 4,840 | 511 |
| Perrin Travel Ltd | 22 Nov 05 | 2,150 | 750 | 113 |
| Wadebay Ltd | 6 Dec 05 | 8,640 | 1,598 | 320 |
| Finlandia Travel Agency Ltd | 14 Dec 05 | 5,100 | 2,460 | 438 |
| Spacetec Ltd | 15 Dec 05 | 218 | 94 | 10 |
| Bob Cole Travel Group | 19 Dec 05 | 4,011 | 2,300 | 353 |
| R H Travel Ltd | 21 Dec 05 | 5,537 | 3,678 | 16 |
| Luxuryclass Ltd | 19 Jan 06 | 23,575 | 5,307 | 1,327 |
| Bansi Tours Ltd | 19 Jan 06 | 2,274,630 | 10 | Joint Bond |
| Travel Horizons Ltd | 30 Jan 06 | 920 | 380 | 263 |
| Jetline Express Worldwide Travel Ltd | 3 Feb 06 | 415 | 236 | 31 |
| Sunflight Travel Ltd | 2 Mar 06 | 43,798 | 8,168 | 625 |
| Raho Travel Ltd | 30 Mar 06 | 2,261 | 3,925 | 585 |
| 25 Failed Companies | TOTAL: | 2,407,262 | 45,918 | 6,843 |

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 |
| 13 | 2 | 81 | 15 | 17 | 0 |
| 0 | 0 | 45 | 25 | 25 | 5 |
| 8 | 1 | 104 | 35 | 36 | 26 |
| 0 | 0 | 870 | 308 | 308 | 263 |
| 30 | 7 | 1,000 | 645 | 652 | 490 |
| 819 | 312 | 154 | 75 | 387 | 136 |
| 0 | 0 | 217 | 77 | 77 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 87 | 21 | 21 | 0 |
| 810 | 313 | 12,500 | 4,247 | 4,560 | 3,100 |
| 0 | 0 | 20 | 14 | 14 | 0 |
| 3 | 4 | 558 | 289 | 293 | 278 |
| 0 | 0 | 750 | 125 | 125 | 0 |
| 2 | 1 | 55 | 20 | 21 | 0 |
| 0 | 0 | 2,200 | 645 | 645 | 325 |
| 6 | 2 | 680 | 485 | 487 | 50 |
| 0 | 0 | 8 | 10 | 10 | 0 |
| 0 | 0 | 1,500 | 283 | 283 | 0 |
| 0 | 0 | 12 | 6 | 6 | 0 |
| 0 | 0 | 56 | 20 | 20 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 175 | 79 | 79 | 0 |
| 0 | 0 | 133 | 80 | 84 | 54 |
| 0 | 0 | 75 | 51 | 51 | 0 |
| 63 | 23 | 578 | 568 | 591 | 6 |
| 1,754 | 663,567 | 21,858 | 8,125 | 8,788 | 4,733 |

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 |
| Incentive Travel and Meetings Association (now Eventia) | One Member |
| Air Transport Users Council | One Member |
| Other representatives of consumer interests | One/two Members |
| Independent representatives (not associated with any organisation represented on the Committee) | Three or four Members, one of whom is Chairman |
| Civil Aviation Authority | Two Members |

Appointments to the Committee

3. Members shall be appointed by the Chairman of the Civil Aviation Authority, for periods specified at the time of appointment; they 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 may nominate to the CAA up to two alternates, who may attend any meeting in the absence of that body's appointed Member(s).

Meetings of the Committee

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

Duties of Committee

6. The Committee shall keep under review and from time to time advise the Civil Aviation Authority, 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.

7. In particular it shall:

- advise on bonding arrangements and bond levels;
- advise the CAA and the Trustees on the use of their discretion when making payments from bonds and from the Trust;
- 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;
 - 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.

8. 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

9. Reasonable out of pocket expenses directly incurred by Members of the Committee in attending meetings shall be reimbursed by the Civil Aviation Authority.

10. The Civil Aviation Authority shall provide administrative support to the Committee.

The Department for Transport April 2000

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