

## Comment: How will Atol reform affect your bottom line?

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Many travel companies will face changes to their bottom line as a result of the Atol reform. Matt Purser and Martin Alcock of The Travel Trade Consultancy take a closer look at how the Atol details will affect you.

Whether it was pure coincidence, or an orchestrated conspiracy by the gods of Atol reform, on the April 29, we found ourselves on a no-frills flight back from the excellent Advantage conference in Malta.

As we sat pondering the financial protection arrangements of our fellow passengers, we wondered how many more would have been protected under Atol by flying just 24 hours later.

Of course, it's unlikely they shared our curiosity, partly as a good number of them were conference delegates and therefore still a little under the weather after a few late nights.

But how many of them were so carefree because they *thought* they were protected, even though they weren't?

Because it's worth remembering that beside the often cited and frankly unseemly aim of paying back the ATT's bankers, there was a more noble aim to reforming Atol - that of increasing clarity for the consumer.

Having experienced first hand having to phone customers of failed travel companies to break the news that not only were they no longer travelling in the morning, but due to a complicated legal quirk they were also not entitled to any refunds or compensation, we still believe that doing nothing, or delaying reform was not an option.

More clarity for the consumer has however come at a price for the trade.

The headline grabbers are agency agreements and Atol certificates but the devil is in the detail.

If you're creating Flight-Plus arrangements, then documentation and mark-ups/margins will have to be a lot more transparent and business processes will need to be reviewed to ensure supplier documentation is passed on and insurance is in place to avoid potentially costly compliance slip ups.

And if you don't already have an Atol you have some fast decisions to make and even if you're already in the club, the model that fitted your business 10 days ago may no longer be appropriate.

The big unknowns are the unintentional consequences as customs and practices adapt and evolve.

More transparency on mark-ups and margins is likely to drive them down further, certainly in the competitive mass market commodity sector.

Car hire companies will feel the pinch if the "package-plus-car hire" practice dies off.

Will any administrator worth their salt take on a distressed travel company when the ATT gets first dibs on pipeline monies?

And what happens further down the road, when more and more agents pass customer credit cards (and with it, failure risk) direct to the airlines' merchants?

Higher card surcharges for consumers would seem the inevitable result.

Another consequence may well be the resurgence in packaging which has dwindled in recent years to around 18 million passengers a year.

Passing on suppliers' documentation doesn't sit comfortably, (particularly if that supplier happens to also be a competitor) and there is the clear attraction in the ability to conceal juicier mark-ups.

Evidence suggests packaging the right type of holiday could earn you an additional 10% on your gross profit margin over the equivalent Flight Plus combination.

A chunk of this would obviously be given up in TOMS, but the additional risk liability insurances could cost as little as £5 per passenger.

The true consequences for your business will undoubtedly vary depending on your place in the travel market.

But one thing is certain – there will definitely be consequences.