

## Martin Alcock: The Future of the Air Travel Trust

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When Atol Protection Contribution replaced bonding in 2007, the grand plan was always to build up a healthy surplus in the Air Travel Trust, the government fund that pays out on Atol failures, before making a decision on how the industry should finance the protection of its consumers going forward.

Well it's taken a bit longer than was expected back in those booming, halcyon days (thanks mainly to XL, Goldtrail and a worldwide recession) but there was news from the CAA this week that the Air Travel Trust deficit will shortly be cleared and the fund will finally have been paid off.

Whisper it, but the time is nearly upon us for a consultation on the future of the Air Travel Trust.

There are a few directions this could go, but here are a few suggestions for starters.

### Variable APC

I've long been an advocate of variable APC as the current system makes little logical sense to me. Yes it's simple to administer, but how can it be right that there's a flat fee covering refunds and repatriations (currently £2.50 per passenger) with no appreciation of failure risk or destination distance. I'd be pretty annoyed if I paid the same motor insurance premium as Mario Balotelli or George Michael, or the same for my home insurance as Tony Martin or the people of Boscawen.

Instead, I would advocate operating more like the insurance industry (though without the pushy cartoon telephones, or those irritating meerkats) and using tiered APC premiums determined by business model.

So if you're betting big on capacity with whole plane charters and hotel commitments to a single destination, you pay more than if you bundle up no-frills flights with a Hotels4U bed on an ad-hoc basis.

By offering a lower premium or a rebate for those who take steps to de-risk their business, you could even discourage the kind of irresponsible risk taking that caused some of those large failures.

### A balance of Trustees

The current trustees are made up of executive and non executive directors of the CAA who put on a different hat once a month to act for the Air Travel Trust, often to discuss the same issues cropping up in their day job, but from a different perspective.

Though the current board of trustees are experienced, learned individuals who have acted in the interests of the trade, I firmly believe it would be beneficial to have greater separation from the CAA. There should also be more industry representation on a panel

whose decisions have such profound implications for the travel trade.

As well as a mix of CAA and independent trustees, the other principles of corporate governance should also be applied such as a transparent election process, and term limits.

### Reporting and Transparency

With approximately £45 million to £50 million of APC being paid in to the fund every year, (and in some recent years, a similar amount being paid out on failures!) there should be much greater transparency on what is happening with industry money. In my view, the annual set of financial statements is insufficient.

To put it into perspective, when the CAA regulates a business with £50 million turnover, the list of disclosure requirements covers an eye-watering 15 pages of application forms and checklists as well as ongoing monthly booking reports and management accounts.

We have heard before that this is an industry fund and an industry deficit so the industry should be entitled to greater visibility.

As a minimum, this should include quarterly information on the level of APC income, details on amounts being paid out for failures but also, information on ad-hoc settlements such as the recently announced Agent for Consumer rebate scheme.

This consultation will be a real opportunity to build a system that is sensible, transparent and owned by the industry itself. When the consultation comes round, make sure you have your say and in the meantime, keep praying we don't have any more costly failures to delay it.