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# ABTA: Travel Matters

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# ATOL Reform

Today I will cover:

- DfT's Call for Evidence on ATOL;
- Revision of the Package Travel Directive and BIS's Call for Evidence;
- Revision of the Passenger Rights Regulations (261/2004);
- Next steps.



## Background

- Travel market has changed markedly since ATOL first developed;
- Government committed in 2011 ATOL consultation to a fundamental review when Air Travel Trust back in surplus;
- 2012 Transport Select Committee report on ATOL reform advised a review from first principles;
- Call for Evidence published last May and closed in August 2013;



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# ATOL Call for Evidence

The principles underpinning the call for evidence were:

- Ensuring robust consumer protection and improving clarity;
- Reducing Government financial exposure;
- Simplifying regulation and minimising costs to business;
- Ensuring that there is proportionate risk based policy.

The Call for Evidence sought views on potential future approaches in particular:

- The structure of future financial protection schemes (company-led, regulator-led or industry-led);
- The funding arrangements of those future schemes (central fund, company specific arrangements e.g. insurance or bonds).



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# Package Travel Directive

## Package Travel Directive (PTD) Proposal

- Revision of the current 1990 PTD to account for the impact of technological developments facilitated by the internet and emergence of low cost airlines;
- Proposed and published in July 2013 – currently in negotiations;
- BIS published its Call for Evidence on the PTD in September 2013 to help inform the Government's understanding of the Directive.



# Package Travel Directive

In summary, the new PTD seeks to:

- Ensure its **scope** and coverage is wide enough to include internet-based models;
- Apply insolvency protection to looser business collaborations known as '**Assisted Travel Arrangements**';
- Rationalise and clarify information requirements as well as clarifying contractual obligations and rights, including in respect of passenger rights;
- Apply a different approach to Member State insolvency protection obligations based on **the place of establishment** of businesses rather than where packages are sold, to ensure mutual recognition and encourage cross-border trading.

## Scope

Seeking to:

- Drive informed consumer choice;
- Achieve more clarity in respect of the definitions of “Package” and “Assisted Travel Arrangements”;
- Future-proof the adoption of business models designed for circumvention (e.g. agent for the consumer model).

## Limits on insolvency protection

- Seeking to agree limits on the required insolvency protection so that there is protection in the great majority of cases.

## Place of Establishment (Insolvency Protection)

Arguing for the status quo (Member States' regimes to apply to trading activity directed at their consumers) as we believe there are potential implications with the proposed new approach:

- lack of clarity on meaning of “established in” potentially very confusing;
- Widens the nature and breadth of the risk which must be assessed and covered, which is likely to have consequences on costs;





# Our key issues in the PTD

## Place of Establishment (Insolvency Protection) continued..

### Potential implications:

- Where a business trades across borders, requires **repatriating** and refunding EU citizens from any State to any State (e.g. repatriating Spanish Citizens from Greece);
- Appears to encourage **business migration** by “protection shopping” for schemes which may not meet the expectation of UK consumers;
- Number of **practical issues** all of which are likely to carry more costs (e.g. language, domestic structures to provide assistance/refunds).



# Next Steps for ATOL and the PTD

## Next steps:

- Later this summer – Intend to publish the Government’s response to the ATOL Call for Evidence in parallel with BIS’s response to its Call for Evidence on the PTD;
- 2015 – Anticipate that the PTD will be agreed;
- 2015/16 on – consult on specific options for ATOL reform/PTD implementation;
- Early/Mid 2017 – Implementation of the PTD.



# Passenger Rights (261/2004)

- UK Aim: Minimise burdens and costs on UK Industry whilst retaining an appropriate level of protection for passengers.
- June Transport Council Progress Report – we can support 5/9/12 trigger points and the clarification on what constitutes an exceptional circumstance (including technical related issues).
- But we remain very concerned on the proposed inclusion of a compensation regime for connecting flights.
- In addition, we cannot accept the suspension of Gibraltar airport from EU aviation measures.
- Uncertain whether the incoming Italian Presidency will treat the proposal as a priority. But we are eager to see it progress.
- A revised Regulation is not anticipated prior to 2015 (and perhaps significantly later).