

# Air Travel Insolvency Protection Advisory Committee

Annual Report March 2004



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**Air Travel Insolvency Protection Advisory Committee**  
**CAA House**  
**45-59 Kingsway**  
**LONDON**  
**WC2B 6TE**

9 July 2004

Secretary of State for Transport  
Great Minster House  
76 Marsham Street  
London SW1P 4DR

Sir

I submit herewith the fourth Report of the Air Travel Insolvency Protection Advisory Committee for the year ended 31 March 2004.

I would especially draw your attention to the criticisms of the Committee expressed at the conclusion of the Review of the Year.

A handwritten signature in black ink, appearing to read 'John Cox', with a horizontal line above it.

John Cox OBE  
Chairman

## MEMBERSHIP AND ROLE OF THE COMMITTEE

This is the fourth report of The Air Travel Insolvency Protection Advisory Committee (ATIPAC). The Committee was established by the Secretary of State for the Environment, Transport and the Regions 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 membership is wide ranging, including representatives from key trade associations affected by ATOL, representatives involved in considering consumers' interests and also independent representatives. There were various changes in membership during the year.

From August 2003, Mr Andy Cooper joined as the nominee from The Federation of Tour Operators replacing Mr Martin Brackenbury. Mr Lindsay Ingram replaced Mr Tony Russell as the

representative for the Association of ATOL Companies in June 2003. In July 2003, Mr John Harding was appointed as an ABTA representative as replacement for Mr Paul Chandler. Also in July 2003, Ms Tina Tietjen took over as the representative for the Air Transport Users' Council replacing Mr Ian Hamer, following her appointment as Chairman of that body. Mr Roger Mountford was appointed as a CAA representative on 1 April 2003 replacing Mr Colin Senior, following his appointment as a non-executive Board Member of the CAA. Ms Marie-Helene Kutek stood down from the Committee in September 2003 and in March 2004 Professor David Grant was appointed.

A full list of members is included at Appendix 1.

The Committee held four regular meetings during the year. It also held a special meeting in April 2004 to consider the CAA's draft advice to Government on future holiday protection.

## MEMBERS OF ATIPAC

**John Cox** has been Chairman of the Committee since its formation in April 2000. He was also a past Chairman of the Air Transport Users' Council.



**Helen Simpson** is Director of the CAA's Consumer Protection Group and a CAA Board Member. She is also a Trustee of the Air Travel Trust and represents the CAA.

**Bruce Treloar** is Trading Standards Institute Lead Officer for the Holiday and Travel Industry. He represents consumer interests.



**Tim Robinson** is a Corporate and Commercial Affairs Consultant. He is an independent representative.

**MEMBERS OF ATIPAC –  
CON'T**



**Tina Tietjen** is nominated by the Air Transport Users' Council, of which she is Chairman. She is also currently Chairman of the Women's Royal Voluntary Service and holds a number of other non-executive positions in both public and private sectors.

**Roger Bray** is an independent freelance travel journalist with a consumer focus, and is an independent representative.



**Noel Josephides** is Managing Director of Sunvil Holidays Limited. He represents the Association of Independent Tour Operators, of which he is a Council Member responsible for Industry Issues.

**Andy Cooper** is nominated by the Federation of Tour Operators, of which he is Director General.



**Roger Harvey** is the Chairman and appointed representative of the Incentive Travel and Meetings Association, the association for event management, corporate communication and incentive travel.

**John Harding** is a representative for ABTA, of which he is the President. He is also Sales Director of Travelscene Limited.



**Lindsay Ingram** is the General Manager of Newmont Travel Limited. He represents the Association of ATOL Companies.

**Roger Mountford** is a non-executive Board Member of the CAA, whom he represents on ATIPAC, and is also Chairman and a Trustee of the Air Travel Trust.



**Mike Monk** is Head of Financial Services for the Association of British Travel Agents. He represents ABTA.

**Professor David Grant** is Director of the Travel Law Centre, University of Northumbria and Editor of the Travel Law Journal. He has a wide knowledge of travel issues and also has a consumer perspective having served previously on the Air Transport Users' Council.



## Review of the Year

### THE TRAVEL INDUSTRY IN 2003

In summer 2003 the number of passengers taking flights and holidays under ATOL protection fell by a further 1%, taking the cumulative fall since summer 2001 to 7%.

The further fall in volume can be partly attributed to the effect of the war in Iraq on the key booking period and the exceptionally fine summer in the UK, but it was also due in part to increased public willingness to buy separate holiday components, including flights booked directly with airlines that are outside the scope of ATOL and for which no mandatory insolvency protection exists. The latest survey evidence suggests a continued increase in foreign leisure air travel, and as a result the percentage of leisure trips<sup>1</sup> covered by ATOL has fallen to 69%.

In the year to September 2003 about 27.5 million passengers representing £12.7 billion of turnover, were protected by ATOL. In the same period survey evidence suggests that approximately 11.7 million leisure passengers went on flights that were not protected by ATOL.

The growth in leisure flights outside ATOL is attributable mainly to the expansion of no frills airlines and the internet, and this issue is discussed later in the report under the heading Future Financial Protection for Air Travellers and Holidaymakers.

Aggregated profit data for the travel industry is not collected, but most of the UK's major tour operators saw a recovery in profits although there was a sharp and widely publicised deterioration in the trading of one major group.

### MARKET OUTLOOK

Underlying economic prospects are favourable: most commentators forecast continued economic growth and a strong labour market, although many note that the housing market represents a potential source of instability. Despite that last factor, the likelihood seems to be that the economy will support continued demand for foreign travel.

However, the fear of intensified conflict in the Middle East has caused oil prices to increase sharply and this has led to higher jet fuel costs. Tour operators set their holiday prices at a time when the Euro was stronger than the previous year, which tended to increase the overall price of Eurozone holidays and depressed

demand. On the other hand, the weak dollar is fuelling increased demand to the United States.

Non-economic factors also seem more favourable than in previous years. Whereas prospects recently have been threatened by factors including SARS and the fear of terrorism, those factors have not in practice caused overall traffic levels to fall. Individual markets such as Bali, and companies specialising in them, remain vulnerable.

Airlines, especially full service airlines, and major tour operators reacted to these difficulties by cutting back on previous capacity plans; those cuts have been concentrated in the protected sector. There are signs that a low

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<sup>1</sup> Outbound air holiday and VFR traffic (ONS Publication MQ6)

level of growth is starting to return to tour operators' protected sales, although the fastest growth is expected to continue in the capacity offered by scheduled air carriers. Competitive pressure in the no frills airline sector remains high and yields are widely expected to come under pressure.

Despite the favourable demand conditions, some air carriers and ATOL holders remain financially weakened by the difficulties of the previous years and this factor, combined with the possibility of a

turndown resulting from a terrorist incident, make it likely that failures will occur. The next section of this report discusses failures among ATOL holders, but the failure of the UK air carrier Duo, in May 2004, which was reported to have left 1,200 people stranded and to owe £4.5 million to over 50,000 passengers who had booked in advance, serves as a reminder that air carriers that are not protected by ATOL can also fail. This is just the latest in a series of scheduled air carriers that have failed since 2001.

#### **BONDS CALLED IN THE YEAR TO MARCH 2004**

In the year ending 31 March 2004 eighteen ATOL-holding travel companies collapsed. This was twice the level of the previous year but represented a return to a more normal annual level of failures.

ATOL helped some 1,984 customers to complete their holidays and return home, and a further 11,880 received a refund of their advance payments. For the year, total expenditure on claims was just under £3.8 million of which £285,000 was provided by the Trust. The call on the Trust was restricted to just three of the eighteen failures and the details are as follows:

- Specialist Tours Limited required total expenditure of £457,000 against a bond of £270,000. The CAA is investigating apparent overtrading.
- Sky Tours and Travel Limited required total expenditure of £121,000 against a bond of £26,000. The CAA is also investigating apparent overtrading in this case.
- R & K McDowell Limited which required total expenditure of £13,000 against a bond of £10,000.

Full details of the failures can be found at Appendix 3.



## STATE OF THE AIR TRAVEL TRUST FUND

The Committee welcomed the production of the new Trust Deed, which takes account of new insolvency provisions and modernises some of the drafting. The new Deed was signed in January 2004.

The Air Travel Trust Fund itself continues to be in deficit and has been since 1996. At the year end the deficit carried forward had increased from £9.1 million to £9.6 million. In the year to 31 March 2004 there was expenditure of £206,000 in respect of failures and an amount of £409,000 was charged to the Fund in interest costs. The Fund recovered £63,000 in dividend payments and receipts.

The Committee has continuously stated that in its view it is inappropriate for a major consumer protection system to remain in deficit for any extended

period. The introduction of legislation to establish a levy to refinance the Fund is considered vital and yet the Committee now understands that no Parliamentary slot has been made available in the next Parliamentary session. The Committee is very disappointed by this further postponement and is not aware that any rational explanation has been, or can be, made for the delay. When collapses occur, the impact on the firm's customers is instant, and if enough liquid resources are not available to the CAA to manage the consequences of a major failure then the result will be members of the public stranded abroad, very probably in some distress, with insufficient funds to assist them. The Committee urges the Government to take this preparatory step before its hand is forced by a crisis.

## FUTURE FINANCIAL PROTECTION FOR AIR TRAVELLERS AND HOLIDAYMAKERS

Last year the Committee noted the rapid changes in the industry which have led to a significant increase in the amount of leisure air travel that is unprotected by ATOL. The trend has continued and indeed intensified in the year under report. This is an issue of fundamental importance to this Committee and it has continued to build upon the conclusions reached at the full day meeting it convened in September 2002 to discuss how the problems could best be addressed.

A principal factor in the reduced scope of protection is easier public access to cheap fares direct from airlines, which are attractive to leisure travellers. The main drive behind this has been the rapidly-growing no-frills carriers, but many full service airlines have reacted by also making more seats available cheaply. These seats are unprotected by ATOL, so although some customers will have limited insolvency cover if they pay the air carrier direct with a credit card, much of this flying

and the associated accommodation is unprotected.

Continued development of the Internet has enabled consumers to obtain more information about travel components, compare prices and book the components of their holiday direct with suppliers. Additionally, suppliers are making their products available over the Internet to travel intermediaries, which enable them more easily to organise arrangements for consumers. Some air carriers' web sites also offer easy access to separate web sites that offer other facilities such as accommodation and car hire and use product branding that is often similar or identical to the air carrier. The Committee is concerned that consumers buying on these sites are being led to believe that they are buying a package holiday, when in fact none of the legal protection available under package travel legislation applies.

The regulated industry has expressed concern that they are obliged to bear the costs of protection while airlines and other travel firms providing similar products to their own do not have to. Some in the regulated industry have suggested the possibility of rearranging their own business to take certain transactions outside the regulated industry. This would cause an even faster deterioration in the coverage of insolvency protection.

From the consumer perspective, these changes might be acceptable if consumers were able to make informed choices about their need for protection, but that may not be the case as the unprotected sites are not required to highlight the absence of protection.

Partly in response to a suggestion made by the Committee, the CAA commissioned research<sup>2</sup> into perceptions of insolvency protection among the public. The researchers found that although the public regarded insolvency protection as very important, there were two critical misconceptions about it. Firstly, the public tends to believe that it is protected when in fact it is not, such as when they buy a ticket direct from an air carrier. Secondly, they believed that the main source of insolvency protection was travel insurance, whereas the main source is ATOL and in fact very few travel insurance policies offer insolvency protection. The public clearly does not understand whether or how it is protected and therefore is not in a position to make an informed choice.

The Committee therefore supported the initiative taken by the CAA in July 2003 to issue a

consultation on how insolvency protection for leisure air travel should be organised in the future. The Consultation document noted that the primary legislation on which the UK's system was based was around 35 years old, and suggested that since then the industry had changed fundamentally: as well as the changes described above, the legislation had been drafted in an environment where the failure of major scheduled air carriers was not felt to be especially likely. The CAA's paper noted that the proportion of UK leisure passengers protected by ATOL had been falling rapidly for five years.

It also noted that in the UK insolvency protection was based on two separate strands of legislation (The Package Travel Regulations<sup>3</sup> and the ATOL Regulations<sup>4</sup>) which had different scopes and that this could also cause confusion. It highlighted the recent concerns about increased cost and availability of bonding, which formed the basis of the ATOL financial protection system.

The CAA sought views on the appropriate scope of mandatory protection in future as well as what funding mechanisms should be used to provide that protection. Its consultation paper was widely distributed to the travel industry, trade associations, consumer bodies and other interested parties, and the CAA received over fifty responses. Tour operators tended to favour expanding the scope of protection to scheduled air carriers but scheduled air carriers opposed it. Some travel industry respondents favoured wider expansion, to include individual product sales such as hotel accommodation and car hire. There was widespread support

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<sup>2</sup> "Financial Protection for Air Holidays" by NFO Transport and Tourism

<sup>3</sup> The Package Travel, Package Holidays and Package Tours Regulations 1992

<sup>4</sup> The Civil Aviation (Air Travel Organisers' Licensing) Regulations 1995.

for wider protection from consumer groups and others, with only a few respondents suggesting that the caveat emptor principle should apply.

After considering all the responses, the CAA published its draft advice to Government in March 2004, which recommended that the scope of protection should be extended to cover sales made by airlines which involve payment in advance, where the sale was made in the UK and where the outbound flight originated from the UK. The CAA recommended that it would be better for change to take place at an EU level but if that was not possible in an acceptable timescale the UK should act alone. There would need to be

further consideration given to the protection mechanism which would possibly be a mutual insurance or common fund solution, again requiring primary legislation.

The Committee considered this matter carefully and convened a second special purpose meeting to discuss its response to the CAA's draft advice. It concluded that it strongly supports the CAA's proposal. It sees the proposal for an extension of cover to scheduled airlines as a coherent and practical way of dealing with the main problem, although it sees it as part of a process of extending consumer protection, rather than an end in itself.

## **NEW ATOL REGULATIONS AND SIMPLIFIED PROCEDURES**

Last year the Committee reported on progress towards addressing the anomaly whereby certain flight inclusive arrangements, known as 'split contracts', were sometimes sold by travel agents in such a way that full protection was not offered. In October 2003 the ATOL Regulations were amended so that any package sale that included a flight would be caught by the ATOL Regulations.

At the same time as the change in Regulations, the CAA announced the introduction of a simplified procedure for obtaining an ATOL where the licence authorisation was for fewer than 500 passengers; these licences are now known as Small Business ATOLs. The CAA is also continuing to develop arrangements that allow the administration of certain Small

Business ATOLs to be carried out by appointed third parties. Since the change in Regulations approximately 200 new ATOLs have been granted of which 100 are Small Business ATOLs. There will be a further influx of applications once the third party arrangements are finalised.

The new Regulations have highlighted differing interpretations in the industry as to what constitutes a "package", as defined in the Package Travel Regulations and the ATOL Regulations. The Committee has established a working group including representatives of the CAA, ABTA and AITO, which is also consulting the DTI. These discussions are not yet concluded but the Committee hopes that an unambiguous set of guidelines can be produced.

## **INSOLVENCY PROTECTION PROVIDED BY CREDIT CARD COMPANIES**

The Committee is aware of continuing concerns from tour operators about the level of security required by credit card companies as a condition of making facilities available. They consider it unjustified and regard it in many cases as leading to their turnover being bonded twice.

Companies that issue credit cards to the public are required by Section 75 of the Consumer Credit Act to provide refunds to customers who do not receive their purchases, as would happen if a tour operator failed. Under credit card scheme rules, card issuers may pass the liability to companies (known as merchant acquirers) that issue credit card payment acceptance facilities to companies (merchants). Merchant acquirers protect their position against Section 75 claims by requiring security from their merchants, sometimes in the form of deferred settlement. A proposed European Commission Directive on consumer credit may, if passed in its current form, eliminate Section 75 although the likelihood is unknown.

As well as credit card companies, the CAA may also pay refunds to the customers of failed tour operators and an agreement on who meets which claim is set out in the Credit Card Charter. This agreement was signed some time ago and does not cover a number of new credit card issuers. The CAA has stated that

it would be prepared to enter into a new agreement but this would require an acceptance by the credit card companies of a reduction in the level of security taken from ATOL holders. This stance has been endorsed by the Committee.

There has been no progress in terms of a new Charter to cover all credit card issuers due to a lack of agreement on a reduction in security. However there have been constructive discussions with some of the major merchant acquirers to try to establish bilateral agreements that would, for those acquirers, supersede the Credit Card Charter. Although no individual agreements have been signed yet the CAA is hopeful that progress will be made and a successful outcome achieved in the near future.

The lack of progress on a more general Charter is unfortunate because it leaves the situation regarding the appropriate source of compensation following a collapse in a more confused state than is necessary, and the confusing state of current arrangements is one reason why the Committee regards a new protection framework as so necessary. It is also relevant to point out that resolution of Charter issues would not resolve protection of payments outside the scope of Section 75 such as a lack of protection for payments under £100, or to agents, or by debit cards.

## CONCLUSION

For over twelve years the Committee has been pressing for legislation that would re-introduce a proper funding system for the Air Travel Trust based on a levy on holidays. It has not succeeded in making its case to Governments of either major political party. Neither has it ever received a rational explanation of the lack of Government concern about this important aspect of consumer protection.

The legislation under which the current system of protection operates originated over thirty-five years ago. During that time, the travel industry has been transformed, both in overall size and in complexity. Greater prosperity, the advent of no-frills airlines and the Internet have transformed the business. The risk of a major failure of an airline or tour operator has increased as

the pace of change in the industry accelerates and as holiday choices become more volatile. Yet Government does nothing.

This is an issue of public policy. It is a matter of great concern that Government is not prepared to articulate its position on protection for travellers. Holidays represent one of the biggest items of expenditure in the year for most families. All sides of the travel industry – the trade itself, consumers and the regulators – are unanimous in wanting to update the system and put it on a firm foundation. But Government has no policy. It appears that the system will only change when a major failure takes place – when catastrophe rather than deliberate policy is the driver. Such indifference and inertia is a disgrace.

## Appendix 1 Members of the Committee

Mr John Cox OBE		Chairman
Mr Michael Monk	}	Association of British Travel Agents Limited
Mr John Harding	}	
Mr Andy Cooper		FTO Trust Fund Limited
Mr Noel Josephides		Association of Independent Tour Operators
Mr Lindsay Ingram		Association of ATOL Companies (formerly Association of Airline Consolidators)
Mr Roger Harvey		Incentive Travel and Meetings Association
Ms Tina Tietjen		Air Transport Users' Council
Mr Roger Bray	}	Independent representatives
Mr Tim Robinson	}	
Mr Bruce Treloar	}	Consumer representatives
Professor David Grant	}	
Mr Roger Mountford	}	Civil Aviation Authority
Mrs Helen Simpson	}	

### Secretariat

Mr David Bourne	Secretary
Miss Sandra Springett	Assistant Secretary

The Committee was formed in April 2000 and Members were initially appointed with effect from September 2000.

All Members have been appointed to serve on the Committee until 2006.

## Appendix 2 The Air Travel Insolvency Protection Advisory Committee's 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 the Environment, Transport and the Regions 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	One Member
Air Transport Users' Council	One Member
Other representatives of consumer interests	One or 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 the Environment, Transport and the Regions 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 of the Environment, Transport and the Regions  
April 2000**



## Appendix 3 Details of Bond Calls and their effects, April 2003 to March 2004

<i>Licence Holder</i>	<i>Date Bond Called</i>	<i>Licensed Passengers</i>	<i>Licensed Revenue</i>	<i>Bond Amount</i>	<i>Number Repatriated</i>	<i>Cost of Repatriation</i>	<i>Number Refunded</i>	<i>Cost of Refunds</i>	<i>Total Expenditure</i>	<i>Call on Air Travel Trust</i>
			£'000	£'000		£'000		£'000	£'000	£'000
<b>Dialogue Travel &amp; Events Ltd</b>	01 Apr 03	360	530	66	0	0	44	24	24	0
<b>Holiday Focus Ltd</b>	11 Apr 03	4,250	2,709	406	0	0	315	216	216	0
<b>Pure Leisure (UK) Ltd</b>	15 Apr 03	612	370	70	0	0	144	42	42	0
<b>Specialist Tours Ltd</b>	23 May 03	2,197	1,360	270	0	0	910	457	457	187
<b>Select Golf Ltd</b>	11 Sep 03	9,788	5,052	758	104	68	1,768	574	642	0
<b>Kinetics Travel Services Ltd</b>	15 Sep 03	40	66	18	0	0	25	4	4	0
<b>Brazilian Magic Ltd</b>	16 Sep 03	840	1,231	123	1	1	4	7	8	0
<b>Extra Holidays &amp; Travel Ltd</b>	22 Sep 03	3,596	1,328	186	45	32	100	53	85	0
<b>Airline Ltd</b>	26 Sep 03	55,535	13,689	1,461	1,000	306	2,226	603	909	0
<b>Travellers World Ltd</b>	30 Sep 03	144	175	84	18	31	33	31	63	0
<b>Axis Leisure Ltd</b>	08 Oct 03	25,298	4,680	1,314	800	164	5,844	830	994	0
<b>Sky Tours &amp; Travel Ltd</b>	02 Dec 03	120	51	26	0	0	280	121	121	95
<b>R &amp; K McDowell Ltd</b>	16 Dec 03	248	70	10	0	0	36	13	13	3
<b>SRG Skytravel (Croydon) Ltd</b>	02 Feb 04	488	156	19	0	0	16	9	9	0
<b>American &amp; Latin Travel Ltd</b>	17 Feb 04	135	68	10	0	0	0	0	0	0
<b>Bonaventure Ltd</b>	22 Mar 04	1,702	1,528	153	16	15	88	85	100	0
<b>Coco Golf Ltd</b>	26 Mar 04	867	705	141	0	0	2	1	1	0
<b>ROC Lines Ltd</b>	31 Mar 04	1,990	1,586	397	0	0	45	76	76	0
<b>Total</b>	<b>18</b>	<b>108,210</b>	<b>35,354</b>	<b>5,511</b>	<b>1,984</b>	<b>618</b>	<b>11,880</b>	<b>3,146</b>	<b>3,763</b>	<b>285</b>

### NOTES

- The administration of all cases above may not have been completed. Administration costs which were incurred in paying passengers' refunds have been included in the Cost of Refunds.
- The figures for Total Expenditure and any call on the Air Travel Trust reflect amounts already spent and estimated further expenditure.
- 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.
- The above totals may not agree to the sum of the figures shown in the table due to rounding differences.

## Appendix 4 Historical Movement of Reserve Fund Against Industry Turnover

Year ended 31 March	Turnover  £'m	Passengers  '000	Bonds Called During Year	Calls on Reserve Fund During Year £'m	Total Fund at Year End £'m	Calls as % of Turnover	Calls as % of Fund at Start of Year	Fund as % of Turnover
1979	574	4,173	2	0.08	14.78	0.01		2.57
1980	813	5,304	2	0.02	16.10	0.00	0.14	1.98
1981	1,200	6,165	2	0.00	18.05	0.00	0.00	1.50
1982	1,488	6,662	9	3.02	15.64	0.20	16.73	1.05
1983	1,595	7,067	11	3.10	16.61	0.19	19.82	1.04
1984	1,893	7,938	9	0.58	19.44	0.03	3.49	1.03
1985	2,004	8,623	20	1.91	19.52	0.10	9.83	0.97
1986	2,123	8,662	18	1.36	22.10	0.06	6.97	1.04
1987	2,406	9,849	8	2.20	22.75	0.09	9.95	0.95
1988	3,118	12,598	16	1.23	23.18	0.04	5.40	0.74
1989	3,629	14,490	9	0.28	23.44	0.01	1.21	0.65
1990	3,704	13,982	21	0.40	23.71	0.01	1.70	0.64
1991	3,807	13,083	22	11.61	26.70	0.30	48.95	0.70
1992	3,253	10,110	16	0.73	5.01	0.02	2.75	0.15
1993	4,436	13,575	24	6.66	9.84	0.15	132.83	0.22
1994	5,180	14,528	20	1.58	8.82	0.03	16.07	0.17
1995	5,966	16,678	23	3.51	5.65	0.06	39.77	0.09
1996	6,874	18,812	31	4.10	1.87	0.06	72.65	0.03
1997	8,318	22,176	26	7.60	(5.26)	0.09	405.69	(0.06)
1998	9,426	25,673	21	0.36	(5.30)	0.00	(6.76)	(0.06)
1999	11,211	26,284	20	2.00	(7.39)	0.02	(37.73)	(0.07)
2000	11,982	27,824	17	0.31	(8.03)	0.00	(4.20)	(0.07)
2001	13,155	29,675	12	0.25	(8.96)	0.00	(3.15)	(0.07)
2002	13,881	30,723	23	0.40	(8.30)	0.00	(4.44)	(0.06)
2003	14,766	32,157	9	0.45	(9.09)	0.00	(5.43)	(0.06)
2004	14,750	30,464	18	0.29	(9.66)	0.00	(3.13)	(0.06)
2005	14,870	30,661						

### NOTES

1. Turnover and Passenger figures represent the total value and number of holidays/flights authorised by all Air Travel Organisers' Licences at the start of the year. The figures exclude all trade sales between ATOL Holders.
2. Calls on Reserve Fund are retrospectively adjusted figures indicating the cost of failures occurring during each year. The figure for Total Fund at year end is taken from the Air Travel Trust accounts and thus incorporates provisions based on estimates at the time of audit; figures are not adjusted retrospectively to show actual expenditure.
3. Calls as % of turnover uses the base of turnover in the same year as the calls. Fund as % of turnover applies the Fund at each year end to the turnover licensed for the year following.