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**AITO’S RESPONSE TO THE DfT’s CALL FOR EVIDENCE**

**ON THE ATOL IMPLEMENTATION/FUNDING ARRANGEMENTS**

***- Dual-licensing system costs SMEs £6,300 per annum***

***- AITO calls for airlines to contribute to repatriation costs***

**AITO (**[**www.aito.com**](http://www.aito.com)**), the 125-strong Association of Independent Tour Operators, is the only travel trade organisation to report clear facts and figures from its members on the latest Department for Transport Call for Evidence regarding consumer financial protection in the UK.**

Says Alisdair Luxmoore (Fleewinter), AITO Industry Affairs Director: “Some 44 members responded to our survey. That’s over one-third of AITO members, representing more £250M in turnover and almost 200,000 holidays per year. It’s clear from what they tell us that a one-system only set-up is much needed. Our message to the DfT is equally clear – merge the licensable and non-licensable systems into one, and save huge amounts of administrative time and hassle for our members and, indeed, the whole industry. A change to the system will also rid us all of the lack of clarity that prevails within the industry and, equally, amongst consumers, who simply don’t know for sure which logos will deliver the holiday security they seek.

”AITO members were equally clear about the inclusion of airlines in a new one-system-only licensing scheme. When airlines run into difficulties the tax-payer ends up footing the bill for repatriation and AITO members believe that airlines should contribute to this cost, as do tour operators.”

Luxmoore continues: “This is a wonderful opportunity to change a system that was designed for the 1970s into one which will help small UK travel enterprises compete against growing multi-nationals; we hope that the DfT will seize upon it.”

**Uniquely within the industry, AITO members have provided hard figures to demonstrate the cost of operating the UK’s two-tier financial protection system.** Luxmoore comments: “AITO members have quantified the cost (simply the time expended – not per seat bonding costs or APC payments) of handling two sets of licensing requirements each year if they sell both air-inclusive and surface transport-inclusive holidays: **it** **averages out at a massive £6,300 per annum.** Plainly, it does not make sense for probably hundreds of UK tour operators in total to waste such a considerable amount of cash in any economic climate, let alone the current situation.”

Those who work solely with one of the two financial protection systems would thus pay approximately half of this figure, ie £3,150 per annum for their time alone.

The savings if one system were instituted therefore amount to over £3,000 per annum per company or around 70p per passenger carried. In addition, AITO estimates the variable cost per passenger for protection would drop by around 20% as a result of economies of scale and increased competition in the bonding and insurance markets. This variable cost is currently £2.98 per passenger for AITO members and would therefore fall to £2.38 per passenger, saving a further 60p per passenger carried.

**How did AITO members calculate the costs incurred?**

* Each company running two licensing systems calculated the number of hours spent on both, and estimated costs according to the hourly rate of the person undertaking the work.
* Also taken into account were the fixed costs involved, ie application fees.
* External costs charged by accountants for checking forms, etc, were added.
* **AITO believes that members will have dramatically under-estimated the time and costs incurred in running two systems so the actual costs involved will be greater.**
* Companies operating only licensable or only non-licensable business (16% of responses) were excluded from the research, as the aim was to quantify cost savings for those operating the current two systems. While one-system companies would not benefit financially from a merged protection system, they would still welcome clarification and many will benefit from increased competition in the market from providers of financial protection.  The other 84% would see substantial benefits, which would enable them to compete more fairly.

**AITO sees a significant benefit in separating repatriation from the financial protection system and in removing credit card merchant acquirers from it, too, thus removing so-called double bonding of tour operators at a stroke.**

Chair of AITO, Derek Moore, says: “I’d like to thank Alisdair Luxmoore (Fleewinter) and Ismet Emin (Sunvil Holidays) for their excellent work in pulling together this survey, and indeed all AITO members for taking the time (yet more form-filling at a very busy time of year) to give us the ammunition we needed to brief the Department for Transport fully in respect of AITO members’ wishes.”

**Ends/22nd August, 2013**

**Note for Editors:** A single licensing scheme for consumer financial protection would tie in, at long last, with the government’s stated aim under its Better Regulation Taskforce findings.

For more information on AITO, visit the new website at [www.aito.com](http://www.aito.com).

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