



**Travel Trade Consumer Protection Measures-
Advice to the Department of Transport Tourism and Sport**

Commission Paper 9/2019

16th December 2019

Commission for Aviation Regulation

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1. Introduction

- 1.1 The Commission for Aviation Regulation (the “Commission”) is responsible for the licensing of travel agents, tour operators and airlines, as well as administering a scheme for the protection of consumers of package holidays and linked travel arrangements (LTAs) in Ireland.
- 1.2 In 2017, we initiated work to review the bonding arrangements and the operation of the Travellers’ Protection Fund (TPF) that had been in place since the early 1980s, to ensure they continue to efficiently meet the objectives of the scheme and provide the travelling public with an appropriate level of protection.
- 1.3 In August 2017, we published a consultation paper¹ and a report² that examined aspects of the protection arrangements at that time. We held three consultation meetings with the travel trade and received 42 written responses. Following the consultation, we published a project update³ in January 2018, setting out our view of what needs to be further considered in arriving at a final set of insolvency arrangements. Alongside this, we published a summary of responses received⁴ and a final report from our external advisors.⁵
- 1.4 At that time, we decided that we would not complete this work until Directive (EU) 2015/2302 on package travel and linked travel arrangements (the “Directive”)⁶ had been transposed into Irish law. Following discussions between the Commission and the Department of Transport, Tourism and Sport (“the Department”), there was a concern that the existing level of consumer protection may not be adequate and that changes to the scheme were required. The Commission took the view that this work needed to progress now.
- 1.5 The Directive has since been transposed into Irish legislation by the Department through Statutory Instruments No.80 and No.105 of 2019. Under the new legislation, all travel organisers established in Ireland are required by law to provide sufficient security to cover refunds and repatriation in the event of an insolvency in respect of packages and linked travel arrangements. Travel organisers established outside the EU are required to provide the Commission with evidence of security for the protection of their consumers with package travel or LTAs originating in Ireland. Travel organisers established outside Ireland but within the EU are required to provide the Commission with evidence of security for the protection of their consumers with package travel or

¹ Consultation: Travel Trade Consumer Protection Measures. Commission Paper 8/2017. August 24, 2017. Available here: <http://www.aviationreg.ie/fileupload/Travel%20trade/CP8%20Travel%20Trade%20Consumer%20Protection%20Measures.pdf>

² Europe Economics. Bonding of the Irish travel trade industry. Interim Report. August 2017. Available here: <http://www.aviationreg.ie/fileupload/Travel%20trade/TTConsumerProtectionMeasuresReport.pdf>

³ Project Update: Travel Trade Consumer Protection Measures. January 10, 2018. Available here: <http://www.aviationreg.ie/news/project-update-travel-trade-consumer-protection-measures.828.html>

⁴ Responses to Consultation Travel Trade Consumer Protection Measures CP8/2017. Available here: <http://www.aviationreg.ie/fileupload/2018/18-1-10%20Responses%20to%20Consultation%20Travel%20Trade%20Consumer%20Protection%20Measures%20CP8-2017.pdf>

⁵ Europe Economics. Bonding of the Irish travel trade industry. Final Report. December 2017. Available here: <http://www.aviationreg.ie/fileupload/2018/Europe%20Economics%20Final%20Report.pdf>

⁶ Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015. Available here: [http://www.aviationreg.ie/fileupload/Directive%20\(EU\)%20No%202302%20of%202015%20on%20package%20travel%20and%20linked%20travel%20arrangements.pdf](http://www.aviationreg.ie/fileupload/Directive%20(EU)%20No%202302%20of%202015%20on%20package%20travel%20and%20linked%20travel%20arrangements.pdf)

LTAs originating in Ireland.

- 1.6 In January 2019, the Department requested the Commission to provide information on:
 - a. appropriate means to ensure travel providers provide sufficient security, including consideration of bonding levels;
 - b. appropriate means for the replenishment and continued operation of the TPF in an equitable manner;
 - c. detailed implementation plans for preferred options; and
 - d. any other matters deemed relevant to ensuring continued effective consumer protections.
- 1.7 Excluded from the scope of the consultation were flight only purchases from airlines and package holidays/ LTAs not involving travel.
- 1.8 Having regard to its role as economic regulator in the sector, the Commission engaged external consultants to identify issues and options for reforming the consumer protection scheme, in consultation with industry stakeholders, and with consideration of the new Directive.

2. Consultation Process

- 2.1 In March 2019, the Commission engaged economic consultants to work with the Commission to determine (a) measures that should be put in place to ensure consumers are provided with a sufficient level of financial security, (b) the appropriate means of replenishment and continued operation of the TPF in an equitable manner, and (c) detailed implementation plans for preferred options and (d) any other matters that are relevant to ensuring continued effective consumer protections.⁷
- 2.2 CEPA analysed industry data, reviewed legislation, regulations, the Stage I reports and consultation responses and sought to identify the views of the travel trade sector regarding appropriate options for the reform of the consumer protection scheme. This covered the definitions of LTAs and Package Travel under the Directive, as well as the provisions relating to compensation, refund and repatriation in the event of an insolvency. The findings of this analysis were included in an interim report. This report⁸ set out an assessment of the proposed options to reform the current protection arrangements in Ireland in light of the Directive and was issued in August this year. Alongside this, the Commission issued a consultation paper⁹ seeking travel industry views on the recommended reform.
- 2.3 The Commission received 15 responses to the consultation paper. These are published alongside this paper.
- 2.4 The Commission and CEPA have considered the responses received in addition to any changes in the market in the intervening period. Based on this information, CEPA have updated their analysis and their final report is issued alongside this paper¹⁰.
- 2.5 The Commission has considered all of the submissions received and the report issued by CEPA. This report forms our advice to the Department of Transport, Tourism and Sport. Section 3 sets out a summary of the options for scheme reform as presented in the Final report. Section 4 includes a summary of proposed changes to the current insolvency protection arrangements; Sections 5-7 set out a summary of the submissions received (relevant to the consultation questions posed) and the Commission's response to these submissions.

⁷ Insolvency Protection Arrangements for Linked Travel Arrangements and Packages in Ireland: Development of consumer protection arrangements. SRFT 1/2019. January 23, 2019.

⁸ Insolvency Protection Arrangements for Linked Travel Arrangements and Packages in Ireland-Development of consumer protection arrangements. CEPA Interim Report August 2019.

⁹ Consultation: Travel Trade Consumer Protection Measures-Phase 2 Commission Paper 5/2019 7 August 2019.

¹⁰ Insolvency Protection Arrangements for Linked Travel Arrangements and Packages in Ireland-Development of consumer protection arrangements. CEPA Final Report October 2019.

3. Options for Reform

- 3.1 Under the current legislation, travel organisers are required to provide security in the form of a deposit in a bank or financial institution under the sole name of the Commission, a guarantee with an insurance company/ bank or an insurance policy. The former two options are considered bonding arrangements under the current licensing regime for travel agents and tour operators. The bonding levels are 4% and 10% of projected licensable turnover (PLTO) respectively, where PLTO is defined as the total receipts expected to be paid over on overseas travel contracts over the course of the licence period.
- 3.2 The Travellers' Protection Fund (TPF) acts as a back-up when bonding is insufficient to cover all claims in the event of an insolvency. It has not been replenished since 1987 and has been depleted by almost 80% in the last decade.
- 3.3 LTA providers such as airlines are unable to participate in the TPF arrangements under current legislation. However, to date airlines have obtained full indemnity insurance to comply with the legislation and so do not need to access the TPF.
- 3.4 The Interim report looked at seven different reform options: Options C, D and E (brought forward from the 2017 consultation) along with additional Options F, G, H and I. These have been assessed in light of the Directive. All options include all package holidays and LTAs that fall under the scope of EU PTD II and which include a travel component, and all options *will* require legislative change.
- 3.5 Impacts on *efficiency, effectiveness and travel trade* have been assessed, along with *cost and ease of implementation and ongoing operation*. A scheme is considered effective if it is expected to fully protect customers against all future insolvencies. The travel trade assessment looks at the impacts on cost and competitiveness of the proposed scheme on industry. Efficiency has been considered based on the option's ability to provide protection relative to the costs of the proposed scheme to both the industry and the Commission. Ease of implementation considers the practicality and straightforwardness of implementing the proposed structure, including the legal aspects, while ease and cost of ongoing operation assesses the overall cost of administering the scheme.
- 3.6 The proposed options are intended to provide protection that is sufficient to meet all claims should there be two significant collapses within a short period of time, comparable to the two largest collapses in Ireland in the last 10 years.
- 3.7 The costs are based on historic turnover data of the participants of the current protection scheme only, as well as estimates provided by insurers (now considered to be too low due to the effects of the collapse of Thomas Cook). The figures for levies and cost per holiday were illustrative, presented in order to provide an indicative measure of relative impact. They are subject to change by the time of implementation.

Item	Bonding and back-up					Firm level insurance	Pooled insolvency protection
	Option C	Option D	Option E	Option F1 and F2	Option G1 and G2	Option H	Option I1 and I2
Bonding with reference to	4% - 10% of PTO	8% - 20% of eligible turnover	8% - 20% of eligible turnover	8% - 20% of eligible turnover	65% of turnover at risk	✗	✗
Reference definition	No change to current PTO definition	Eligible turnover: PTO excluding payments passed onto supplier immediately and bills paid in arrears	Eligible turnover: PTO excluding payments passed onto supplier immediately and bills paid in arrears	Eligible turnover: PTO excluding payments passed onto supplier immediately and bills paid in arrears	Turnover at risk: the maximum amount of payments for holidays yet to be fulfilled, excluding payments passed onto suppliers	N/A	N/A
TPF	One-off levy of 0.39% of ATO On-going levy of 0.06% of ATO	One-off levy of 0.39% of ATO On-going levy of 0.06% of ATO	One-off levy of 0.25% of ATO On-going levy of 0.04% of ATO	Levy of 0.12% of ATO for ten years based on illustrative insurance costs, or three years with government guarantee On-going levy of 0.06% of ATO thereafter	Levy of 0.04% of ATO for ten years based on illustrative insurance costs, or three years with government guarantee On-going levy of 0.02% of ATO thereafter	N/A	Levy of 0.26% of ATO for ten years based on illustrative insurance costs, or three years with government guarantee On-going levy of 0.12% of ATO thereafter
Other			Firms cannot exceed PTO	Bonding can rise to 25% of eligible turnover at CAR discretion If projected eligible turnover is less than previous year, firms must be bonded to previous years' figures		Firm-level insurance	Firms can be bonded to 25% of ATO at CAR discretion
Expected cost for an average holiday of €550	€0.55 - €2.55	€0.55 - €2.55	€0.45 - €2.45	€0.90 - €2.90	€0.45 - €2.45	Firm-dependent	€1.65 - €3.65

4. Proposal

- 4.1 Based on our assessment of the information gathered, we have taken a view on the questions asked by the Department of Transport, Tourism and Sport. This view is as follows:

Appropriate means to ensure travel providers provide sufficient security, including consideration of bonding levels

4.2 Current Arrangements

- 4.2.1 Historically, entities trading in Ireland needed to be licensed and bonded for all overseas travel contracts under the Transport (Tour Operators and Travel Agents) Act 1982. With the introduction of Directive 2015/2302 and its transposition in Ireland in March 2019 the scope of protection has widened, and the licensing regime has contracted. Now, entities established in Ireland can be licensed in Ireland for sales meeting the definition of overseas travel contract. Separately, they need to provide insolvency protection for all other packages/LTA sales in the EU. Entities not established in Ireland but selling packages/LTAs in Ireland, need to provide evidence of insolvency protection for those sales.

- 4.2.2 Currently, insolvency protection can be provided as set out in Section 22 of Package Holidays and Travel Trade Act, 1995. The nature of the security is set out in Section 23:

- (a) by depositing a sum of money the amount of which shall be determined in the manner specified in Section 24, in a bank or financial institution in the State, in the sole name of the Commission for Aviation Regulation, which shall, in the event of the insolvency of the organiser or the trader, be fully and exclusively available to the Commission, without restriction or condition;
- (b) by entering into a contract of a guarantee secured with an insurance undertaking or the holder of a licence or authorisation referred to in Section 24(5)(a) who is authorised to provide that guarantee in the State, and which shall, in the event of the insolvency of the organiser or the trader, be made fully and exclusively available to the Commission for Aviation Regulation, without restriction or condition;
- (c) by entering into a contract for an insurance policy of the type set out in Section 25 with an insurance undertaking referred to in paragraph (a)(i) or (ii) of Section 24(5) who is authorised to provide that policy of insurance in the State, the proceeds of which shall, in the event of the insolvency of the organiser or the trader, be fully and exclusively available, without restriction or condition.

Also, the security provided under Section 23(a) or (b) shall be –

- (a) valid for not more than one year from the date of its commencement,
- (b) available to the Commission for Aviation Regulation for the refund of travellers in the circumstances referred to in Section 22 or 22A for a period of not more than six months following its expiry where it is not replaced by a new security,

- (c) available to the Commission for Aviation Regulation in respect of a package or a linked travel arrangement, regardless of when the package travel contract or linked travel arrangement, was made with the traveller,
- (d) an amount that is 4 per cent of the turnover of an organiser or a trader facilitating linked travel arrangements for the latest financial year for which the organiser or trader, as the case may be, has prepared accounts and financial statements or such other amount as shall satisfy the Commission is sufficient to comply with the requirement to provide security in accordance with section 22 or 22A, and is not less than 4 per cent and not more than 10 per cent of the projected turnover of the organiser or trader, for the year for which the security is being arranged, having regard to the factors specified in subsection (6) and the information provided under subsection (7), and
- (e) provided to the Commission for Aviation Regulation –
 - (i) where the security is a guarantee secured with an insurance undertaking, in the form specified in Schedule 3, or
 - (ii) where the security is a guarantee secured with a person referred to in subsection (5)(a)(iii), in the form specified in Schedule 4.

4.2.3 Section 22 relates to packages and LTAs put in place by organisers and traders; arrangements that fall outside of this but are still covered under the Transport (Tour Operators and Travel Agents) Act 1982 are covered under the Tour Operators and Travel Agents (Bonding) Regulations, 1983; i.e. travel only contracts with a departure from Ireland and retailing packages with a departure from Ireland.

4.2.4 Therefore, for Irish established businesses, there are different types of insolvency protection arrangements available, depending on the type of revenue they have:

- Revenue from travel only contracts with a departure from Ireland (i.e. meeting the definition of an overseas travel contract). They **must** be licensed for travel only sales where the travel commences in Ireland. These are covered under the 1982 Act. Entities provide either a 4% or a 10% bond depending on whether they are a travel agent or a tour operator. Recourse to the TPF fund is available for this exposure if the bond is not sufficient in the event of a company collapse.
- Revenue from packages that meet the definition of overseas travel contracts. They can **choose** to be licensed for this part of their business or they can provide evidence of security if this revenue relates to packages. All entities, to date, have chosen to be licensed. They have provided either a 4% or a 10% bond depending on whether they are a travel agent or a tour operator. Recourse to the TPF fund is available if the bond is not sufficient in the event that a company goes into liquidation.

These companies can, alternatively, **choose** to supply security and the amount is as per Section 24 (d). No process is in place for deciding what the amount should be between 4%-10%. The maximum here is 10%. No access to the TPF is available if this option is chosen. They can also choose to provide full indemnity insurance and in this case the TPF is not required.

- Revenue from travel inclusive packages sold/for sale in the European Union where the travel commences outside of Ireland. Entities do not have an option of being licensed for this part of their business. They must provide security in line with Section 22-25 of Package Holidays and Travel Trade Act, 1995. Presently, entities have provided insolvency protection under Section 23 (c) i.e. full indemnity insurance policy. This is due to the fact that no process is in place, as yet, to determine a bonding rate between 4%-10%. No access to the TPF is available for these sales.
- Revenue from linked travel arrangements sold/for sale in the European Union. Entities cannot be licensed for this part of their business. Presently, they have provided insolvency protection under Section 23 (c) i.e. full indemnity insurance policy. This is due to the fact that no process is in place, as yet, to determine on a bonding rate between 4%-10%. No access to the TPF is available for these sales.
- Revenue from packages/LTAs not involving travel. Entities cannot be licensed for this part of their business. No insolvency protection is currently being provided for these sales.

4.2.5 As is evident from above, insolvency protection arrangements are very complex, and the cover provided to consumers is not uniform. Depending on what consumers are buying and from whom, they have different levels of protection. This is confusing and makes it near impossible for consumers to understand their rights when buying different products.

4.3 Possible Future Arrangements

4.3.1 Four approaches to reforming the current regime were considered by CEPA. They were:

- Keep the existing arrangement of firm level bonds with a backup option;
- Require each firm to purchase full indemnity insurance to cover all potential liabilities;
- Pool all insolvency arrangements across the industry; and
- Use a trust account model.

4.3.2 In considering the first (existing) option, the argument is made that this regime is familiar to the industry. CEPA sets out that the current rules around bonding treat all firms equally regardless of the likelihood of their insolvency. They say that bonds should be set at a level where most claims are covered but that to ensure full cover a backup option is needed. This back up option could take the form of the existing TPF, insurance against claims exceeding bonded levels or a government guarantee (e.g. in the form of a loan, as a short-term interim measure). CEPA included the latter due to the possibility that insurance costs may have gone up following the collapse of Thomas Cook.

4.3.3 CEPA considered requiring all firms to purchase insurance (Option H). In this case, there would be no need for a backup option.

- 4.3.4 In considering a pooled insolvency option (Option I), they put forward a scheme that most mirrors the UK's ATOL system. Here, there are no individual bonds. All travel organisers contribute to a fund through a levy per customer or based on turnover, and all claims are paid out from a single channel e.g. the TPF or an insurance fund.
- 4.3.5 In considering a trust account model, they set out that customer funds would be protected but that a backup fund would be required to cover repatriations.
- 4.3.6 Under all options, they propose that all firms within the scope of the Directive should have access to, or be able to choose between, the same protection options. The same protection should be available to consumers.
- 4.3.7 CEPA determine that the cost of insurance for individual firms may be too prohibitive and state that CAR's oversight role would need to increase. They do not propose that this is the best option. We agree with this analysis. However, we feel (in line with CEPA's proposal) that this option should be available to any firm who wishes to use it.
- 4.3.8 CEPA do not recommend the use of pooled insolvency arrangements for many reasons. The levy would be paid in arrears so there would be a gap in coverage that needs to be filled; they propose filling it with either insurance or phasing in funding over three years. They suggest that the cost of insurance would be prohibitive and under either scenario a gap in cover exists. They also consider that this system could lead to riskier behaviour by firms and ultimately higher claims and then higher costs on the industry. We agree with this analysis.
- 4.3.9 In considering trust accounts, CEPA did not consider them as a standalone option. While we are of the view that they are not suitable for everyone, we do consider that they should be available as an option in place of bonding (in line with CEPA's proposal). This should be allowed where all customer payments that an organiser receives for packages/LTAs are processed through a trust account and the trust account would need to have independent trustees. Very clear guidelines would need to be in place to govern such arrangements. In addition, a backup option would still be required, and work would need to be carried out on what level of levy they would need to contribute.

4.4 Preferred Approach

- 4.4.1 Overall, CEPA's view is that the first option (keeping the existing arrangement of firm level bonds with a backup option), is their preferred approach (Option F2). On balance, we agree with their assessment. The level of the bond is linked to eligible turnover. If there are insufficient funds in the TPF to deal with the consequences of company insolvencies, there would be a requirement for external support to cover any temporary shortfall (e.g. a government guarantee in the form of a short-term loan). In this option:
- Travel agents and traders of LTAs would have the option to bond at 8% and tour operators could bond at 20%.
 - Bonding would be based on a new concept of eligible turnover.
 - Eligible turnover would be defined as projected turnover (covering packages and LTAs as per Package Holidays and Travel Trade Act, 1995) excluding payments

immediately made to suppliers and payments made in arrears.

- CAR allowed to increase bonding to 25% of eligible turnover if firm is deemed to be of high risk (a clear process needs to be developed).
- Financial tests would be applied to all firms and a company risk assessment would be carried out (high/medium/low).
- Trust accounts would be allowed in place of bonds.
- Firm level insurance would be allowed in place of bonds and TPF.

We additionally suggest that:

- If a firm underestimates its PTO by more than a specified amount (e.g. 15%), their bond is automatically increased to 25% for the following two years. In addition, if a firm reduces its PTO, it must bond to the previous year's ATO until audited annual figures prove that its PTO has reduced.

With this approach, all entities covered by the Directive have the same options for insolvency protection.

- 4.4.2 There has been consistent support for an insolvency protection scheme that is based on the insolvency risk of individual firms, where firms that pose the greatest risk of insolvency bear the greatest cost. We agree with this principle (noting the probable need for a transitional period to move from the current set of arrangements). There has also been support for a flexible regime where different insolvency protection options are available to firms and for a regime with improved monitoring. We support these points. Evidence suggests that the current bonding rates do not provide the level of protection required under Directive 2015/2302. This may well be due to the changed environment compared to the 1980s when the current bonding levels were set.
- 4.4.3 We suggest that the bonding rates should be adjusted **but** that a different definition of turnover is used. This means that the change in the absolute level of the bond **is not** in direct proportion to the percentage increase. The resultant level of bonds will be more reflective of inherent risks. More consideration needs to be given to the definition of eligible turnover to take account of the views of industry e.g. tour operators who have made the point that their business model makes payments to suppliers well in advance but as they are not tied to individual consumer bookings the current proposed definition of eligible turnover would not allow them to exclude it. Also, further consideration needs to be given to whether entities are in a position to provide this level of detail and what type of reporting/verification is needed also needs to be considered. This option provides full cover in the short term at minimal up-front cost to industry. CAR is prepared to work with the Department of Transport, Tourism and Sport and industry to develop the detail of whatever approach the Department decides to progress including any necessary transitional arrangements.

Appropriate means for the replenishment and continued operation of the TPF in

an equitable manner;

- 4.4.4 Without full insurance for each entity or 100% bonds, some form of backup option is required to fully protect consumers. This could take the form of a TPF, insurance against claims exceeding bonds and the TPF or a Government guarantee (short term loan) or a combination of some or all of these.
- 4.4.5 Currently, only licensed sales meeting the definition of overseas travel contract have recourse to the TPF. This means that package holidays that originate outside of Ireland and linked travel arrangements do not have recourse to the TPF. Therefore, consumers who purchase these products do not have the same level of cover.
- 4.4.6 All of the options considered by CEPA involved some form of levy to replenish the TPF, except Option H which referred to all entities purchasing firm level insurance. Option H was discounted mainly due to the potential costs of insurance for individual firms. CEPA put forward that, some form of levy to replenish the TPF is required. They propose that both package holidays that originate outside of Ireland and linked travel arrangements and the providers of such products are included in the scheme and that they too contribute to the TPF. We support this suggestion.
- 4.4.7 The preferred option for security, arising out of CEPA's analysis, is Option F2. This option includes a levy of 0.12% of ATO for 3 years with a Government guarantee i.e. short-term loan, and an ongoing levy of 0.06% of ATO thereafter. ATO is defined as actual turnover in respect of package travel contracts or linked travel arrangements received during the period of security.
- 4.4.8 We support this option. We feel that a backup option is necessary where a company does not have full cover in place in the form of insurance. We propose that the percentage would need to be reviewed in light of current market conditions if it is chosen by the Department for implementation. We also propose that a review mechanism would need to be built into the system to ensure the amount being collected from industry remains relevant to the requirement. CAR is prepared to work with the Department of Transport, Tourism and Sport and industry to develop the detail around this option if the Department decides to progress this option. This would include any necessary transitional arrangements.

Implementation plans

- 4.4.9 Depending on the approach the Department decides to progress, a number of areas may need to be considered further, including:
- Method for providing support to the Travellers' Protection Fund in the event of an insolvency occurring and there are insufficient funds available to provide the necessary consumer protection arrangements. This would provide a backstop cover on a transitional basis until the TPF is replenished. This could take the form of a short-term loan of funds that would be repaid once the TPF is replenished. Revised legislation would be required for this and it would also be subject to Minister for Finance approval.
 - The details of Eligible Turnover need to be finalised.

- The detail of financial tests needs to be scoped out. Businesses operating in the scheme would need to be made aware of the tests and their implications.
- An approach to assessing risk needs to be developed. Those businesses operating in the scheme would need to be made aware of what these criteria will be and the consequences of not meeting them.
- Methodology for changing the level of bond needs to be developed.
- Consideration should be given to streamlining all legislation relating to this subject. Specifically, legislation needs to be updated to take account of:
 - Packages that originate outside of Ireland
 - LTAs
 - Amending bonding percentages
 - Terminology in relation to turnover
 - Terminology in relation to licences
 - Financial tests
 - Risk assessment criteria and framework
 - Extend the options of accessing the TPF to all package and LTA providers.
 - Requirement for all providers of packages and LTAs included in arrangements to replenish the TPF where they choose to avail of the fund (e.g. sales backed by full indemnity insurance do not require access to the TPF).
- The detail of any transitional period needs to be developed.
- Details of who operates the TPF and collects payment to replenish it.
- All parameters and calculations need to be reviewed against the final scheme decided upon by the Department to ensure they remain accurate and relevant.
- There also needs to be an industry campaign to raise awareness on all new aspects of the insolvency protection arrangements.

Any other matters deemed relevant to ensuring continued effective consumer protections.

4.4.10 We recommend that a thorough review be undertaken of the legislation in this area. For example:

- Currently, travel agents and tour operators are required to provide insolvency protection for flight only sales. Airlines do not have to provide this cover. Flight only sales are not covered in Directive 2015/2302.
- Currently, retailers of packages with a departure from Ireland have to provide insolvency protection as a travel agent. This is not covered in Directive 2015/2302.

5. Consultation Responses - Broadening the Scope of Insolvency Protection

- 5.1 *Do you agree with the proposals to include providers of LTAs within the same insolvency protection regime as organisers of Package Travel Holidays? If not, what do you believe would be the most appropriate arrangements for providing protection for customers of LTAs?*

Consultation responses

- 5.1.1 Both Aer Lingus and Ryanair disagree with this idea. They both feel that LTA insolvency protection should be dealt with separately to packages.
- 5.1.2 Trailfinders, the Travel Department, TUI and World Travel Centre agree with this proposal. The Travel Department make the point that the scheme should be extended to include protection for all consumers and not just those booking through travel agents and tour operators. TUI make the point that LTA providers should not attract a lower rate of bonding, given that they feel the level of exposure to risk is the same as other types of arrangements. World Travel Centre agree, provided that airlines are included on an equal basis.

Our response

- 5.1.3 There is merit in giving LTA providers *the option* of being in the same insolvency protection regime as organisers of packages. All parties should be able to either bond and contribute to the TPF, use a trust account model and contribute to the TPF or provide full indemnity insurance and not contribute to the TPF. They could bond as a percentage of their PTO (actual LTA turnover) and contribute to the TPF as percentage of their ATO, if this is the route they wish to take. Alternatively, they would provide full indemnity insurance to cover all monies they receive for LTAs along with costs of repatriation. The scope of this paper is limited to those entities currently covered under either the Transport (Tour Operators and Travel Agents) Act, 1982 or the Package Holidays and Travel Trade Act, 1995. If the Department choose to include LTA providers in the regime then the rate to be applied to them will have to be determined. Airlines are included in respect of packages and LTA provision on an equal basis.
- 5.2 *Do you agree with the proposal that the licensing and bonding regime should be extended to include all package travel and LTAs within the scope of the new EU Directive? If not, what do you believe would be the most appropriate arrangement for these sales?*

Consultation responses

- 5.2.1 Both Aer Lingus and Ryanair disagree with this idea. Aer Lingus makes the point that they are already licenced as an air carrier by the Commission. Ryanair state that any insolvency arrangement that meets the broad requirements under the Directive should be sufficient. Airbnb, Trailfinders, the Travel Department and TUI agree with this proposal. Airbnb make the point that there is no requirement under the Directive to be licensed and such a requirement would not be consistent with the maximum harmonisation principle set out in the Directive.

- 5.2.2 The Travel Department make the point that the scheme should be extended to include protection for all consumers and not just those booking through travel agents and tour operators.
- 5.2.3 TUI propose that LTAs with *no* travel element need a simple solution and not a licence; they propose working with the insurance market to find a separate arrangement for them. TUI refer to approved providers who provide protection schemes in the UK e.g. ABTA and further state that current Commission guidance is unclear with regard to who is protecting packages that have been created without a travel element.
- 5.2.4 World Travel Centre make the point that excluding non-Irish departures is not in keeping with the operation of PTD2 in other markets.

Our response

- 5.2.5 There is no requirement to be licensed under the Directive. We suggest that any insolvency arrangement that meets the requirements of the Directive, is reflective of Departmental decisions and reflected in legislation would be sufficient. We propose that monitoring mechanisms need to be in place and tailored to the type of insolvency protection chosen e.g. less monitoring would be required if an entity chose to provide full indemnity insurance over one who chose to provide a bond/trust. This framework needs to be legislated for and include all package and LTA providers.
- 5.2.6 The scope of this review is limited to entities currently covered under the legislation. A number of respondents make the same point as the Travel Department. We suggest that the Department take these views into account when updating the legislation in this area.
- 5.2.7 We agree that there is merit in allowing CAR approve bodies who could provide protection schemes to the industry. The Department should consider this further. The Commission is engaging with the Department with regard to who is responsible for protecting packages that have been created *without* a travel element. Consideration should be given to how the insurance market can be used to provide an appropriate solution.
- 5.2.8 We agree that non-Irish departures should be included in the same way as all other relevant turnover as the Directive speaks to cover for consumers for sales in the EU.

6. Consultation Responses - Proposed Options for Reform

6.1 *Are there other reforms that you think should have been considered? How would these reforms ensure appropriate levels of protection for consumers of package travel/LTAs?*

Consultation responses

6.1.1 Aer Lingus refer to the fact that consumers of airline sales are also protected through the facilitation of private insurance, credit card protection schemes and existing inter-airline repatriation arrangements.

6.1.2 Airbnb state that it would be helpful if current legislation could be amended to confirm that insolvency protection is not required in situations where a facilitator of LTAs does not receive traveller money. They suggest that CAR should have flexibility and discretion not to require insolvency protection where there is no risk that the travel service which forms part of the LTA will not be performed as a consequence of the LTA facilitator's insolvency (e.g. because the money is held in a trust account which cannot be affected by the trader's insolvency).

6.1.3 Trailfinders suggest that a trust account model where client funds are placed in trust until supplier payments are made would provide 100% surety with no need for a bond to be in place or a TPF.

6.1.4 The Travel Department would prefer an ATOL like scheme that provides protection to the majority of the travelling public, including flight only bookings. They say that any future scheme should reflect the level of risk pertaining to each company and should include an opportunity for companies to limit the level of bond required by agreeing to certain liquidity thresholds. They say that if the current limited protection scheme is continued, the Commission should be able to both increase and decrease bonding levels based on certain criteria.

6.1.5 TUI do not think there are other options for reform that should have been considered. World Travel Centre put forward a single levy per passenger for all departures from Ireland regardless of how they were booked.

Our response

6.1.6 We note that consumers of airline sales have additional protections and that these would also apply to consumers of travel agents and tour operators. However, on their own, they would not meet the requirements of insolvency protection envisioned by the Directive.

6.1.7 The point made by Airbnb regarding situations where an LTA facilitator does not receive money needs consideration. We suggest that that even if trust accounts are part of the options for insolvency protection some form of additional insolvency protection would be needed; e.g. to cover possible repatriation costs. We agree with the principle that CAR should have discretion not to require insolvency protection if there is **no** risk that the travel service which forms part of the LTA will not be performed as a consequence of the LTA facilitator's insolvency but have difficulty in seeing how this could be the case.

- 6.1.8 We agree that trust accounts should be considered by the Department for inclusion in legislation as a form of insolvency protection. They would, however, need to be supplemented by another form of protection to cover repatriation costs. We also suggest that entities with trust account cover would also need to contribute to the TPF, as repatriation costs could be higher than expected. This model would also have implications for the monitoring of firms choosing this option and the Department will need to scope this out.
- 6.1.9 The scope of this review is limited to entities currently covered under the legislation. A number of respondents make the same point as the Travel Department and World Travel Centre that they would prefer an ATOL like scheme. We agree with CEPA that this type of scheme can lead to risky behaviour which can result in higher costs over time.
- 6.1.20 We agree that a risk-based approach should be incorporated into future bonding and that this should be linked to liquidity thresholds and that CAR should be able to increase/decrease bonding levels based on agreed criteria. If pursued by the Department, this would lead to cover that better reflects potential exposure.
- 6.2 *Which of the reform options set out in this consultation paper do you think the Department of Transport, Tourism and Sport should pursue? Do you agree with the proposal to pursue Option F in the first instance? Why?*

Consultation responses

- 6.2.1 Aer Lingus put forward that Option F may cost more than other bonding options in the long run and that cost will be disproportionately levied against airlines as traders in package travel and LTA products.
- 6.2.2 Airbnb state that regardless of which option is chosen, Option H (firm level insurance) should always be available for firms wishing to operate outside of the bonding options. They also state that trust accounts should be available to traders.
- 6.2.3 Trailfinders state that Option F is flawed (as are the other options) as it does not fully bond and requires all travel organisers to pay a levy. They suggest that a trust account model be considered further.
- 6.2.4 The Travel Department say that they prefer Option C or I. In respect of C, they say that with properly executed risk management a lower one-off levy would be achievable. In relation to Option I, they say the levy could be reduced with CAR's active exercise of discretion in terms of the requirement for bonding and also recommend a mechanism to review it after 5 years.
- 6.2.5 TUI strongly disagree with Option F. They have concerns about the new definition of eligible turnover and feel that it will result in a reduced level of financial protection for the customer than the current definition of licensable turnover as in certain instances no insolvency protection will be required by travel agents where all monies have been transferred to suppliers. They feel that entities acting as both travel agents and tour operators results in double protecting sales and ask that this be addressed. They make the point that insolvency protection is achieved largely via bonding and any additional

cost is accounted for in pricing rather than being passed on to the customer directly, which puts them at a competitive disadvantage.

Our response

- 6.2.6 Option F bases bonding on eligible turnover and for airlines, this would include airline tickets. It is correct to say that travel agents and tour operators would be able to deduct the cost of the airline tickets from their eligible turnover calculation, but airlines provide the flights and therefore, these flights are at risk of the insolvency of the airline.
- 6.2.7 We agree that insurance should be available as an option and have included it as such. This should mean less monitoring for those firms who choose this option. We agree that trust accounts should be included as an option. If the Department chooses to include them, CAR will work with the Department and industry in determining the controls around this model that would need to be implemented.
- 6.2.8 In terms of achieving a lower levy with properly executed risk management for Options C and I, this would be difficult to quantify at the outset in order to adjust the levies. We agree with the proposal to review the levy after 5 years. If over time, improved risk management leads to lesser calls on the bonds/TPF then the levies should be reduced.
- 6.2.9 The concept of eligible turnover is new. The point made by TUI needs to be considered further by the Department as the level of protection should not be reduced.
- 6.3 *Do you agree with the proposal in options D, E and F to base bonds on eligible turnover, which excludes immediate supplier payments, bills paid in arrears, rather than PLTO? Do you agree that it is then appropriate to increase bonding to double the current proportion?*

Consultation responses

- 6.3.1 Aer Lingus consider that bonding levels should be set lower than the 8-20% proposed and tailored to individual firm risk. They say that the concept of eligible turnover would disproportionately impact airlines. They say that bonding levels should be inversely proportional to TPF mechanism charges. Ryanair state that on the basis that traders are given freedom to choose this form of protection amongst other options, this proposal is sensible.
- 6.3.2 Airbnb put forward that whatever option is chosen; the financial protection should be based on turnover arising from the sale of travel services under the Directive and not total turnover. They say that CAR needs to clarify what turnover they are referring to as the consultation document refers to PLTO. They also say that eligible turnover should also exclude payments passed onto third party payment processors and/or payments held in separate trust accounts.
- 6.3.3 Trailfinders do not support these proposals. They reiterate that a trust account model is a more dynamic approach providing 100% surety.
- 6.3.4 The Travel Department ask for clarification on both eligible turnover and on what is considered to be travel agent vs tour operator turnover. They argue that fully prepaid

commitments for flights should be excluded from eligible turnover and the remaining revenue of the associated package using these flights should be treated as travel agent turnover. They also say that prepaid accommodation should also be excluded.

- 6.3.5 TUI have concerns about the new definition of eligible turnover and feel that it will result in a reduced level of financial protection for the customer than the current definition of licensable turnover.
- 6.3.6 World Travel Centre agrees with this proposal.
- 6.3.7 Clonmel Travel agree that payments passed on to suppliers immediately should be excluded from projected turnover figures for bonding purposes. They also propose that payments through the BSP should also be excluded. They feel that the percentage increase from 4% to 8% of eligible turnover for travel agents is excessive.
- 6.3.8 Sunway are against a change to 8% and 20% for bonding of eligible turnover. They say that it will introduce an administrative burden on travel agents and will allow unscrupulous agents more of an opportunity to game the system. They say the increase to 20% for tour operators is unsustainable and drive most of them out of business. They state that charter airlines are paid between 2-8 weeks in advance of travel date, but this is not linked to individual customer bookings and so would fail the “payments passed on to supplier immediately” test and would not be deductible when calculating eligible turnover. They feel that dishonest operators would submit fraudulent estimates of eligible turnover.

Our response

- 6.3.9 We agree that bonding levels should be tailored to individual firm risk. Base bonds of 8%-20% may be appropriate when linked to the new definition of eligible turnover. It is impractical to propose that bonds could be tailored for *each* entity. More work needs to be undertaken on the concept of eligible turnover. We agree that there is merit in the position that bonding levels should be inversely proportional to the TPF mechanism charges; if an entity does not want to contribute to the TPF then they have the option of choosing to provide full indemnity insurance and not contributing anything to the TPF.
- 6.3.10 We agree that financial protection should be based on turnover arising from the sale of travel services under the Directive and not total turnover. We suggest that the term PLTO should be discontinued and replaced with eligible turnover which needs to be clearly defined in the legislation. We do not agree that eligible turnover should exclude payments passed on to third party payment processors as this money is still at risk. CAR has had failures where direct debits to third party payment suppliers have been returned. We advise the Department that if they decide to include trust accounts as an option in a future regime then more thought needs to be given to exclude funds held in trust accounts and they also need to consider what requirements would need to be put in place to regulate them.
- 6.3.11 We have already stated that additional work needs to be undertaken to refine the definition of eligible turnover and the points made by the Travel Department need to be considered at that time. However, we contend that any funds to be excluded would

have to be linked to consumer bookings in order to qualify for an exclusion. We agree that payments passed on to suppliers immediately should be excluded from projected turnover figures for bonding purposes as they pose no risk. We do not agree that BSP payments should also be excluded as this money is still at risk as we have had failures where direct debits to third party payment suppliers have been returned.

6.3.12 In relation to Sunway's point, we feel that the increase in bonding percentages should be offset by the reduction from projected licensable turnover to eligible turnover. Systems in place in the industry should be able to provide the relevant information without being overly costly. There needs to be a fully thought out transitional phase. We suggest that a reporting requirement is built into the regime whereby eligible turnover is independently verified by a firm's accountant on a regular basis. As previously stated, more work needs to be undertaken on the concept of eligible turnover to take account of the views put forward by tour operators and others in the industry.

6.4 *Do you agree that an insurance policy with a higher levy for the first ten years is the most appropriate way to avoid a gap in protection, as presented in Option F? If not, what alternative(s) would you suggest?*

Consultation responses

6.4.1 Aer Lingus agree with this but consider it high when compared to Options E and G. They also reiterate their view that LTA providers should not have to contribute to the TPF. Ryanair state that on the basis that traders are given freedom to choose this form of protection amongst other options, this proposal is sensible.

6.4.2 Trailfinders suggest that a trust account model would not require further insurances to prop up the TPF. They propose that Government should be the back-up instead of insurance. TUI state that this proposal is inequitable on incumbents unless new entrants or firms that enter the licensing regime after the ten years is up are also subject to a higher levy in the first ten years of operation/joining the licensing regime. World Travel Centre do not agree. They say that there is no gap in protection with the right legislation and effective regulation.

Our response

6.4.3 We agree with CEPA that insurance costs may have risen since the failure of Thomas Cook and that therefore, Option F as presented in the interim report may no longer be considered the best option. We further agree that a short-term form of guarantee is needed, until the TPF is suitably replenished. This loan would subsequently be paid back. We agree that trust accounts should be included as an option but that this should be supplemented with other cover and therefore also, contributions to the TPF. Trust accounts are available in other Member States. We do not agree that new entrants should be subject to a higher levy; schemes change over time and contributions by all within it should be equal.

6.4.4 CAR's position is that there will always be possible gaps in protection unless insolvency protection is provided through full indemnity insurance for all firms in the scheme and

we deem this as too expensive to impose on the industry as a whole. CEPA's analysis indicates feedback from industry that this is the case.

- 6.5 *Do you agree that CAR should be able to increase bonding for firms they perceive to be at a higher risk of insolvency/ under-bonding? Why? Do you agree with the guidelines for bonding increases set out in Option F? Are there other guidelines that should be considered?*

Consultation responses

- 6.5.1 Aer Lingus agree with this proposal. They believe that traders should be able to bond at a level below 8-20% which reflects their risk profile. Ryanair state that on the basis that traders are given freedom to choose this form of protection amongst other options, this proposal is sensible, but CAR should be able to decrease bonding levels for financially stable traders to reflect the lower risk of insolvency.
- 6.5.2 Trailfinders state that CAR should monitor firms at risk of insolvency and question whether we have the skill and resources to do this. They also question if CAR would ever really ask for a 100% bond knowing that it could push a company over the edge. The Travel Department strongly recommend giving travel agents and operators the opportunity to reduce levels of bonding based on certain criteria.
- 6.5.3 TUI are concerned with this proposal. They put forward that the financial tests outlined are rigid and propose that CAR should commit to working with businesses to understand their accounting processes before applying any increased bonding, in the event that a business fails to meet the financial tests outlined. World Travel Centre agrees with this proposal and state that CAR should be adequately resourced and trained in risk analysis.

Our response

- 6.5.4 We agree that CAR should be able to increase bonding for firms perceived to be at a higher risk of insolvency but suggest that a base level of bonding is required. We suggest that it would not be administratively practical to have different bonds for every business in the regime. We agree with a risk-based approach but that this should be built around a base level of bonding with CAR having the power to increase bonding for firms deemed to be riskier. There is general support for such an approach. More work is needed to determine the financial tests to be used for the assessment of insolvency risk.
- 6.5.5 We are not convinced that bonds should be able to reduce below the base level unless full indemnity insurance is provided in which case no bond would be required. The ability to increase bonds above the base rates should be limited to firms perceived to be at higher risk of insolvency. The concepts of transparency and fairness need to underpin the proposed regime. We agree that CAR would need additional training and resources to implement this type of arrangement.
- 6.5.6 The increased bonding rates would be applied to the new concept of eligible turnover; this means that although the rates have increased the value of the bond should not automatically increase (in direct proportion) as the turnover covered is reduced.

7. Consultation Responses - Impact of Options on the Travel Trade Sector

- 7.1 *The report has assessed that Option F has a lower impact on the travel industry than Options C, D and E because the cost of replenishing the TPF is spread over several years, rather than concentrated into a short period. What impact does this have on your business? Would you prefer to pay a higher levy over a shorter period?*

Consultation responses

- 7.1.1 Aer Lingus have concerns about this proposal. They state that LTA facilitators who do not organise packages will have real concerns about the cost of replenishing the TPF when they are not involved in competition with those traders most likely to give rise to a call on the fund. Ryanair consider that a shorter period for replenishing the TPF would leave passengers less exposed to trader insolvency in the short term.
- 7.1.2 Trailfinders feel that the TPF is unnecessary, if all consumer funds were protected properly through trust accounts. They propose that in year one a choice should be given of a trust account, 100% bond or a €10pp fee to the TPF, with government backing. The Travel Department state that increased costs will make travel agents and tour operators uncompetitive. They say that paying a higher levy in the short term may be a requirement but the level of the levy cannot be at the higher end of the range and there should be a review built into any scheme to reflect the fact that if risks are properly managed, the requirement for a levy should diminish long before a 10 year period has elapsed.
- 7.1.3 TUI agree that it is preferable to pay a lower levy over a longer period but are concerned at what they say is a lack of transparency in respect of how the Commission arrived at the expected costs set out in the options for reform. They state again that an unfair and disproportionate burden is being placed on a small section of the industry. World Travel Centre state that none of the options are fit for purpose and that the trade should not be charged with TPF funding as they didn't cause the losses.

Our response

- 7.1.4 We suggest that LTA providers should contribute to the TPF unless they choose the bonding/trust account model. If they choose insurance, then they would not need to contribute to the TPF. Unless all entities sourced their insolvency protection through full indemnity insurance there would be a need for some form of back up (fund/guarantee); even with trust accounts a backup is necessary to cover possible repatriation costs. We agree that a review should be built into the system to ensure the contributions to the fund do not exceed requirements. This will ensure that the contributions remain relevant. The TPF has worked to provide consumers with adequate protection since it was put in place over 30 years ago. The consumers of travel agents and tour operators have benefitted from this protection.

- 7.2 *Options D, E and F base bonding on eligible turnover. This requires firms to provide data on both projected and realised supplier payments and payments in arrears. Do you agree with the report's view that the additional burden of providing such information is limited?*

Consultation responses

- 7.2.1 Aer Lingus disagree with this. They envisage more than just a limited administrative burden. Ryanair state that any information provided about a trader's financial position should be treated by CAR as confidential and commercially sensitive and should not be published.
- 7.2.2 Trailfinders agree that there would be limited burden for them. They reiterate that they think the approach is flawed. TUI disagree with this. They feel that this requirement would create a disproportionate burden on tour operators. World Travel Centre agree. They say that this information is easily available and will not cause any additional burden to provide.

Our response

- 7.2.3 We take the view that as the submission of this information will lead to reduced bonds, it is in the interests of the firms to provide it. We suggest that a transitional period is built into the new regime in order to allow firms to adapt their systems accordingly. All information received by the CAR on the financial position of any entity is treated as confidential; this will not change under any new regime. As stated previously, more consideration needs to be given to the concept of eligible turnover.
- 7.3 *Do you agree with the report's assessment that Option I is too administratively costly (for both industry and CAR) given the current scope of consumer protection arrangements?*

Consultation responses

- 7.3.1 Aer Lingus do not agree with this. They feel that having an equitable approach which takes account of individual trader risk and applies a level playing field to all competitors is critical to the fairness and viability of the regime. Ryanair agree with this. They note that this option penalises financially stable traders by requiring them to subsidise the high risk presented by weaker companies.
- 7.3.2 Trailfinders state that Option I could allow for trust accounts to be considered. They say that travel organisers who hold a trust account could pay a lower or zero per passenger fee and other operators could pay a scaled level of charges based on their risk profile. They say that this could incentivise them to operate trust accounts and prove that they are financially viable to reduce their per passenger costs.
- 7.3.3 The Travel Department does not agree with this. They say it is critical that any future scheme learns lessons from the past and includes appropriate controls and reporting requirements based on the risk profile of each business. TUI does not agree with this. They say that a similar scheme exists in the UK and it operates effectively.

Our response

- 7.3.4 We suggest that that the pooled insolvency option would mean similar costs for all businesses in the scheme, as opposed to the current scheme, but would result in higher costs for some and lower costs for others depending on whether they are travel agents or tour operators. We agree with Aer Lingus that an equitable approach is important. We agree with Ryanair that this approach could mean that financially stable traders are subsidising more high-risk traders due to the pooling of the insolvency risk.
- 7.3.5 We agree with Trailfinders that Trust accounts could be used as part of this model if it were considered as part of the new regime and this forms part of our recommendation to the Department. We agree with the Travel Department that any future scheme needs to include appropriate controls and reporting requirements based on the risk profile of each business and we are willing to work with the Department in developing these for the new regime.
- 7.3.6 We disagree with TUI; we feel that such a scheme could lead to more risky behaviour, more claims on the TPF and ultimately lead to higher contributions to the fund over time along with more detailed/frequent reporting requirements/claims processing requirements from CAR over time.
- 7.4 *Other responses made/points raised/queries raised not directly answering the questions posed but which are set out below.*

Other Comments and CAR Responses

- 7.4.1 Ryanair put forward that traders should be given the option of implementing any market-based solution which meets the requirements of the Directive.
- 7.4.2 We agree that traders should be given the option of providing any market-based solution that meets the requirements of the Directive as long as it is consistent with Irish legislation.
- 7.4.3 Airbnb want clarification on:
- How CAR defines a travel component
 - How CAR intends to deal with insolvency arrangements in relation to package holidays and LTA's that do not include a "travel component".
- 7.4.4 Currently, CAR defines a travel component as per the Directive. We are working with the Department on responsibilities for regulating packages and LTAs that do not include a travel component.
- 7.4.5 Club Travel prefer Option E over the other reform options proposed. They say that it is not clear what is included and excluded in PLTO information provided to date.
- 7.4.6 We do not share Club travel's point of view. We consider that contributions to the TPF, under this option, could be too high in the early years. However, we have included in our suggestion that firms will face higher bonding if they underestimate their projected turnover and if reducing their projected turnover, they cannot do so until their reduced

actual turnover has been verified by their auditors. This is how we have tried to supplement Option F to take account that firms who exceed their PTO should face sanction in order to make the regime more robust. More work needs to be carried out on the concept of eligible turnover and an information campaign is needed to ensure that industry understands it in advance of its implementation. CAR is willing to work with the Department in this respect.

- 7.4.7 Globe Travel consider that an increase in bonds to 8% would make running costs for travel agents very difficult. They suggest that a tiered system based on risk factor of agents, company cashflow and company cash deposits should be used. The bonds should be left at current percentages and the TPF should be topped up from a public travel levy as was done before.
- 7.4.8 We do not share all Globe Travel's views. While the bond percentages may increase, the projected turnover on which this is calculated will reduce. We agree that a risk-based approach is preferable. The TPF was put in place by a levy on tour operators but we suggest that it should apply to all firms benefiting from the scheme.
- 7.4.9 Travel Centres believe that the scope of the review is too narrow in its focus (only covers agents and operators) and does not address the fundamental shortcomings in the legislation. They suggest that airlines need to be factored into the regime as disproportionate resources are being invested in over-regulating a small section of the industry. They say the current regime does not protect all consumers, it creates an unreasonable burden on a small sector within the industry and it is anti-competitive. They say that the current options echo those proposed over two years ago despite considerable input from the industry.
- 7.4.10 The scope of this review is limited to entities currently covered under the legislation. Many other respondents make the same point as Travel Centres. The current options build on those proposed two years ago along with input from industry in the meantime. This part of the consultation concludes work that began in 2017. We decided to wait until Directive EU 2015/2302 was transposed into Irish law before proceeding to conclude on our advices to the Department of Transport Tourism and Sport.