 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business
Validation Impact Assessment (IA)	Reforming the Air Travel Organisers' Licensing (ATOL) Scheme (Addendum)
Lead Department/Agency	Department for Transport
IA Number	
Origin	Domestic
Expected date of implementation (and SNR number)	SNR5
Date of Regulatory Triage Confirmation	Not Applicable
Date submitted to RPC	21/11/2013
Date of RPC Validation	07/01/2014
RPC reference	RPC11-DFT-0908(3)
Departmental Assessment	
One-in, Two-out status	IN
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£5m
RPC assessment	VALIDATED
Background (extracts from IA)	
<p>Reason for the Addendum to the previous Impact Assessment <i>Impact Assessment DFT 00092 (submitted by the Department of Transport to RPC on 13 January 2013) estimated the costs and benefits of extending the scope of ATOL to include Flight-Plus arrangements, where a consumer requests and books flights, accommodation and/or car hire in such a way that they have not bought a package holiday. The revised ATOL Regulations¹ came in force in April 2012. The EANCB was estimated at £6.5m (This was agreed by the RPC in its Opinion dated 9th February 2012). This was partly due to the fact that travel firms who facilitate such arrangements are required to pay the £2.50 per passenger ATOL Protection Contribution (APC) to meet the cost of financial protection.</i></p> <p><i>In April 2012 the Office of National Statistics (ONS) reclassified the APC as a tax. Paragraph 1.1.6 of the Better Regulation Framework Manual states that taxes are out of scope of the definition of regulation. Therefore, the APC is now exempt from calculations of the net cost to business (it wasn't included as a benefit to business in the original IA as any benefit from the fund goes to customers when businesses fail). This addendum sets out why a revised EANCB should be considered and reflected in the One-In-Two-Out balance.</i></p>	

¹ S.I. 2012/1017 <http://www.legislation.gov.uk/uksi/2012/1017/contents/made>

The IA estimates

“The IA estimates the change (to the ATOL scheme) would result in a total of 6 million passengers benefiting from full ATOL protection that otherwise would not. This figure is made up of:

- *4 million passengers who would be fully protected that would otherwise either be unprotected or partially protection. This includes:*
 - *3 million where the flight was obtained from an ATOL holder and therefore protected in the event that the flight provider ceased trading but where the consumer would be at risk of insolvency of other service providers, or left with the expense of the other services that could not be accessed if the ATOL holding flight supplier ceased trading.*
 - *1 million where the flight was obtained from an agent for the consumer basis. These sales were outside of the scope of ATOL Regulations because of how the Civil Aviation Act powers were defined.*

- *2 million passengers who would have otherwise been ‘removed’ as ATOL holders arranged their operations to act outside of the scope of ATOL to compete with unregulated travel firms.*

Travel firms who claim to be acting as agent for the consumer (A4C) when obtaining flights remain outside of the scope of the ATOL Regulations. The Civil Aviation Act was passed in 2012 which allows for the ATOL Regulations to be amended further to ensure that these firms are in scope.”

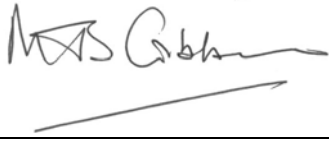
Updating the EANCB

“The EANCB includes a per passenger fee that ATOL holders must pay. This is the ATOL Protection Contribution (APC) which is paid to the Air Travel Trust and which funds the financial protection arrangements that may be needed in the event of an ATOL holder’s insolvency. In April 2012 the ONS reclassified this payment as a tax. This is no longer considered as a cost for the purposes of the EANCB”.

“The EANCB was originally £6.5 million. With the adjustment this becomes £5.0 million.”

RPC comments

The ATOL scheme protects consumers when their package holiday tour operators become insolvent. Developments in the travel industry have made it increasingly difficult for consumers to know whether or not their holidays are ATOL protected. The reforms to the scheme provide greater clarity whether a holiday is ATOL protected and help ensure the sustainability of the scheme. The purpose of the addendum was to take into consideration a re-classification of the ATOL Protection Contribution by the Office of National Statistics resulting in lower cost to business. The impact of this change has been correctly identified and removed from the EANCB.

Signed		Michael Gibbons, Chairman
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