



Council of Australian Tour Operators

DISCUSSION DOCUMENT

ATAS & Consumer Protection Reform Proposal – FINAL DRAFT

This discussion document has been prepared by CATO with the view of creating a path forward for the Australian outbound travel industry post-COVID.

The document's intention is to spark debate and discussion on these topics. Stake-holder feedback will be sought from industry participants. If the interest exists, we will then jointly seek to develop a more detailed plan to see how these reforms can be implemented.

We welcome your feedback.

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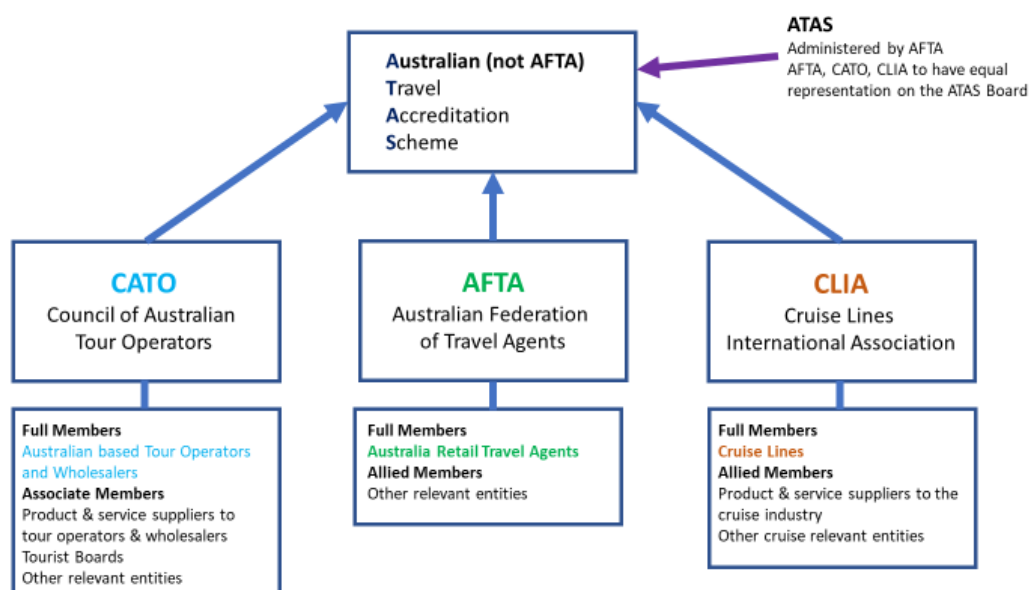
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Introduction

- ATAS proposed to become an independent body administered by AFTA that provides white label accreditation services to AFTA (travel agents), CATO (tour operators & wholesalers) and CLIA (cruise lines)
- Each Association sets accreditation criteria for their own members based on agreed minimum standards
- AFTA, CATO & CLIA have equal representation on a new ATAS board
- AFTA administers ATAS and is paid a license fee for each accreditation processed
- A 'user-pays' **Consumer Protection** scheme is developed for all bookings through ATAS Accredited Entities (AAE).
- The consumer is issued with a consumer protection insurance certificate at the time of booking which covers for insolvency of the AAE and any IATA airline used.
- A policy is mandatory for all international bookings & voluntary for domestic bookings
- The insurance policy is issued by the consumer facing entity so will cover both direct & travel agent bookings
- The consumer protection insurance policy is only available through ATAS Accredited Entities – thereby protecting the Australian travel industry
- The consumer protection policy is administered by ATAS in conjunction with an insurance company and endorsed by the ACCC.
- Seed funding would be required from the Australian Government, but this will be repaid once reserves hit a pre-determined level

ATAS Reform



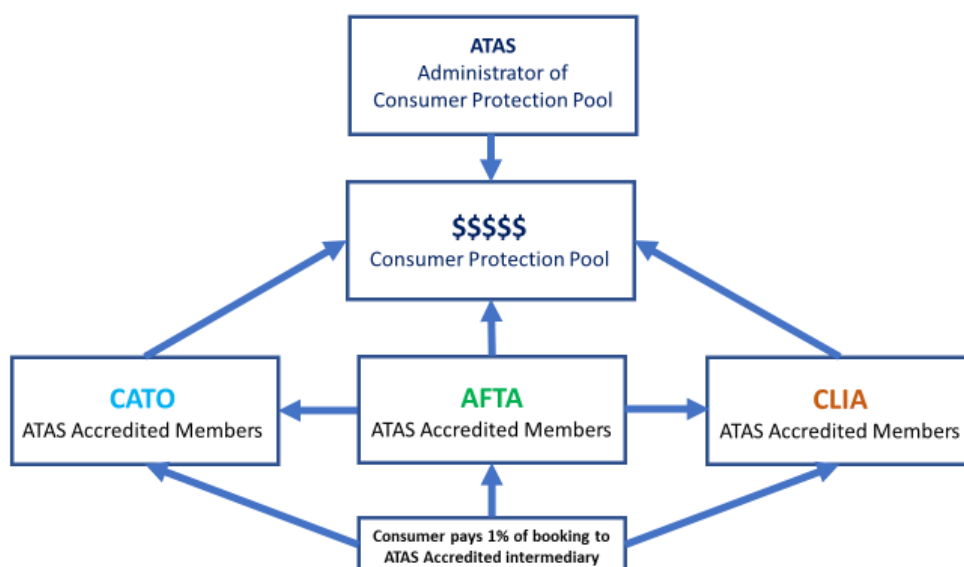
Main Points

- Per above slide.
- ATAS becomes the Australian Travel Accreditation Service (currently AFTA Travel Accreditation Scheme).
- ATAS will provide accreditation services for AFTA, CLIA and CATO with each accreditation program tailored to the needs of the sector but all under the ATAS brand.
- ATAS will be administered by AFTA and run out of the AFTA office however will operate as an independent body with an independent board. AFTA, CLIA and CATO to have equal representation on the ATAS board in addition to independent experts.
- There will be a standard base accreditation criterion that is common across all three associations with additional sector-specific requirements signed off by each individual association
- ATAS fees (based on turnover) will be standard across all 3 associations with a license fee/royalty paid to AFTA to help fund industry lobbying efforts
- Standardised fees for ATAS accreditation will ensure that members with diversified businesses do not shop their accreditation between associations.
- ATAS accreditation is separate from association membership – this means that a diversified entity could be a member of CLIA, CATO and AFTA but would only be accredited with ATAS via one of those Associations.

Advantages

- Will significantly broaden ATAS membership and bring many non-accredited businesses into the fold
- ATAS will become more relevant for non-travel agents than it is now
- AFTA revenue through the licence fee/royalty will increase

Consumer Protection Scheme (CPS)



Main Points

- Per above slide
- User pays insurance levy to protect consumers against Australian based tour operator/wholesaler/cruise line/supplier or agent insolvency
- Available only through ATAS accredited entities with levy collected and policy issued by entity who receives the money from the client – this ensures coverage for both trade and direct bookings (NB: Could be via the ATAS retailer or direct with ATAS tour operator, wholesaler or ATAS Cruise Line.
- Levy to be determined but for discussion purposes let us suggest 1% of booking value
- Cover for all services purchased through the ATAS accredited entity – thereby encouraging bookings through ATAS accredited businesses and encouraging more businesses to become accredited
- Coverage is for consumers only (not corporate bookings).
- Coverage compulsory for international travel, potentially voluntary for domestic travel
- Initial set up & reserves funded by government, but this will be refunded as soon as reserves hit predetermined levels
- Scheme to be administered by ATAS but with independent oversight

Key Purposes & Advantages

- Survival of the Australian travel industry is crucial post-COVID
- Provides key support for the Australian travel industry as coverage is only available through ATAS Accredited Entities.
- Provides comprehensive consumer protection for monies paid for travel services which is currently not available. This means during the next crisis there will be no consumer concern about travel credits being worthless due to supplier failure
- Provides industry protection against credit card chargebacks
- Increases overall professionalism within the Australian travel industry by giving all travel agents, tour operators, wholesalers and cruise lines a very compelling reason to become accredited.
- By being accredited these businesses will have access to industry standard terms & conditions, professional development and have their financial health monitored.

- Higher levels of industry professionalism and comprehensive consumer protection in case of insolvency will significantly reduce travel industry complaints to the ACCC
- Removes a significant cost and risk for travel agents in the event of supplier collapse – the Tempo/Bentours collapse cost the travel agency sector at least \$15m
- Allows travel agents to offer consumers a significant advantage for booking through them rather than direct with airlines or overseas suppliers. Insurance coverage is not available for airline direct bookings nor through overseas based (non-ATAS) suppliers booked by clients direct.
- This scheme fixes the fact that consumer protection is not provided by the current ATAS program
- This scheme will broaden the reach of ATAS and increase funds available to AFTA allowing for greater levels of government lobbying by the travel industry
- This scheme will be run by the travel industry as part of the industry's self-regulation for the benefit of consumers.
- Will ensure a far better relationship with ACCC going forward and eliminates risk of future Government regulation.

Who and What is Covered?

- Only new bookings made after the scheme has been launched and where the insurance levy has been paid will be covered.
- Coverage is for insolvency only.
- Coverage extends to the entire booking in the event that the AAE (ATAS Accredited Entity) or the airline goes insolvent. This means:
 - if a travel agent goes bust the entire booking is covered regardless of which suppliers the agent booked with
 - if an AAE tour operator, wholesaler or cruise line goes bust the customer is covered whether that booking is direct or via a travel agent
 - IATA accredited airlines are covered only if the booking is via an AAE. No coverage is provided for direct bookings with airlines
 - Failure of non-AAE, non-airline suppliers are not covered – this means that tour operators/wholesalers and travel agents continue to accept the risk associated with their non-AAE supply chain. This minimises the risk of fraud and also encourages travel agents to book with accredited Australian based suppliers
- Coverage is limited to the value of the insurance/initial services paid – it will not cover replacement services which may cost more.
- Coverage is for personal travel only. NOTE: detailed discussions required with corporate travel sector. Initial thinking here is that due to high volumes and low margins most corporate bookings are automated or process driven. Adding an additional layer is unlikely to be feasible from a cost/benefit perspective. Further discussion with corporate travel sector is required with protocols developed for part business-part leisure bookings.
- Coverage would be compulsory for all international travel booked through AAEs
- Coverage would be highly recommended for all domestic travel booked through AAEs

Policy Issuing

- Policies can only be issued by AAE's - accredited members of AFTA, CLIA and CATO
- Policy is issued by the AAE dealing directly with the customer. This ensures coverage for all bookings whether booked through a travel agent or direct with CLIA or CATO member.
- Policy is issued at the time of booking when client pays deposit. Estimate is made of total booking value and policy is issued for the total amount. Policy to be easily increased if subsequent changes increase booking value – policy linked to AAE booking number.

- Policy issuing to be as automated as possible – ideally through simple online portal with connectivity through GDS or reservations/mid office systems.
- Once issued the insurance policy to be emailed to both client and booking consultant.
- Payment of policies will be via agent credit card or automated direct debit.

How Much Will It Cost?

- Detailed modelling by professional actuaries will need to be undertaken to determine the following:
 - exactly how much start-up funding is required
 - annual cost of running the scheme
 - level of reserves required
 - amount of the insurance levy clients will need to pay in order to ensure sufficient reserves in case of major collapse
- For discussion and planning purposes a proposed of 1% of gross booking value can be used. This should allow reserves to be built and cover the cost of administering the system.
- Levy levels would be reviewed on a periodic basis with view to reduce them as the level of reserves grow.
- Government funding will be required for the initial set-up and to underwrite the reserves. Once reserves reach pre-determined thresholds these funds can be repaid to the Government.
- Government funding can be sought via the various COVID recovery schemes as this Consumer Protection Scheme will help re-instil consumer confidence in the Australian travel sector thereby aiding recovery and job growth.

Administration & Corporate Governance

- The scheme will be administered by ATAS but overseen by a board made up of industry (AFTA, CATO, CLIA) and non-industry leaders (potentially including representatives of ACCC/Govt)
- Management of the funds raised, and processing of claims can be outsourced to an insurance company
- Significant additional work required in this area to determine legal/regulatory requirements
- Further discussion required around impact on saving Australian jobs where consumer is supporting the scheme – beneficial to AU economy