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Review of Travel Trade Legislation

Introduction

As a small travel agent having survived for over 20 years through the ups and downs of the industry we feel that the legislation to protect the travelling public needs to change in order to reflect the new environment that now exists in the 21st century. Having set up the first travel agents consortium in Ireland, served in the ITAA and been involved in the industry for 14 years before setting up our agency, I hope my thoughts are found to be constructive.

Division of Areas

There are three distinct areas within the industry where the public require protection. Each area requires a slightly different approach in order to afford the protection required and I have laid these out below:

1) Flights

For many years the travel trade have been calling for bonding to be introduced for all airlines operating within the state but always came up against a brick wall. Airlines were unwilling to bond and governments were unwilling to push the issue.

Following the large number of airline collapses witnessed recently it is clear that some form of legislation is required to protect people booking flights. Most airlines now insist on instant purchase or at best 72 hours grace before payment which results in the travelling public being forced to pay out well in advance of their intended travel date. This means that not only have the airline got the cash for long periods but the risk to the purchaser is vastly increased due to the time factor.

The easiest way to deal with this problem is to levy a charge on all flights booked in Ireland for travel commencing within the country irrespective of the booking method (web, direct or through an agent). This amount (between EUR1 and EUR2) should be lodged to the PPF to create a large fund to cover any collapse. I would also envisage a similar system being applied to all sea carriers as they could equally be at risk in these changed times.

2) Tour Operators

This area should still be covered by the current form of bonding due to the high risk to the travelling public because of the speculative nature of the package market. However, a better option would be for the bonding amount to be levied by the CAR and paid into the PPF to build up the fund rather than let the money go to an insurance company.

3) Travel Agents

The manner in which we now transact our business has entirely changed during the last twenty years. No longer are we agents of our suppliers but rather travel organisers tailor making the itineraries for our clients which makes us less reliant on tour operators.

4% bonding was introduced at a time when agents had client's funds in their possession for some time before passing them on to the operators. Now, however, tour operators take

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payment by direct debit once a week, while consolidators take payment as tickets are issued in most cases. Evidence of this can be seen in the level of payout on most travel agent collapses over the last 5 years. These figures point to the fact that a 2% levy would be ample to cover most eventualities.

In the current environment the stability of the small number of insurance companies offering bonding must be questioned. Will they still be in operation if called on to pay up? Payment to these companies is dead money in that once payed over and unused it is lost. I would suggest that this money would be better collected and added to the PPF to increase the capital reserve.

Due to the changed nature of our business I think we need to have new thinking on the type of cover required. The number and nature of suppliers, on whom we as agents have begun to rely on, has grown considerably which in turn increases the risk to our own business should one of these go out of business holding our clients funds prior to departure. The travelling public need the agent to be protected against this occurrence in case it might cause the agent to fold. Agents should be able to submit legitimate claims to the CAR for settlement in cases such as that caused by the recent collapse of Bluebook hotel bedbank in the UK.

This is where I see the need for a change in the present bonding legislation interlinked with a change in the whole idea of licensing. Licensed agents should automatically receive cover by the PPF for all travel booked through them assuming they had followed recognised guidelines in placing the clients booking. The cover would be provided based on a new licensing fee level of .5% of total turnover levied at time of issue by the CAR which would be added to the PPF less a percentage held toward the running cost of the Travel Trade section. I estimate on the figures provided in Consultation Paper of a bonding value of EUR60m that the total turnover of the trade would be in the region of EUR1.5 billion giving a EUR7.5m income per annum to the fund.

The value of this bonding system would be:

- 1) All combinations of travel booked through a licensed agent would be covered for the travelling public.
- 2) Agents would be covered against the collapse of suppliers.
- 3) There would be no risk of a bonding company failing to survive.
- 4) Agents would not be at the whim of insurance companies to get bonding.
- 5) The CAR would have total control of licensing agents and not be reliant on any other outside party.

The travelling public would not be covered for any items other than flights booked by themselves on the internet such as hotels or car hire. Booking through a licensed travel agent would be the only way to ensure cover on all items of their trip.

Licensing should be on a renewal basis with minimal red tape and on the submission of the most recent audited accounts not less than three months old. This would stagger the licensing rather than having a glut of submissions all at once.



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Under this system of bonding and licensing the CAR would have funding to ensure the enforcement of being licensed in order to sell travel. Unless licensed no group, school or Parish should be allowed organise travel for the public without the use of a licensed agent.

I trust you will give my submission serious consideration and look forward to assisting in any way possible in bringing about an equitable system for agents, the CAR and most importantly, the travelling public.

For and on behalf of Albemarie Ltd. t/a Tony Bond Travel.