

**chris durdin**

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**From:** ATOL Consultation [ATOL.Consultation@caa.co.uk]  
**Sent:** 04 July 2014 15:03  
**To:** chris durdin  
**Subject:** RE: Rebalancing ATOL. Response from Chris Durdin, Honeyguide Wildlife Holidays, ATOL 3253

Dear Mr Durdin,

Thank you for taking the time to respond to our consultation on proposals to rebalance ATOL. Please be assured it is welcome, we would like as much constructive input and feedback from ATOL holders as possible. We will be reviewing the responses throughout the consultation period and may be in touch again to pick up on some of the points you raise.

regards

Mark

**Mark Rayner**

Consumer Protection Group

CAA House, K3, 45-59 Kingsway, London WC2B 6TE



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**From:** chris durdin [mailto:chris@honeyguide.co.uk]  
**Sent:** 03 July 2014 18:05  
**To:** ATOL Consultation  
**Subject:** RE: Rebalancing ATOL. Response from Chris Durdin, Honeyguide Wildlife Holidays, ATOL 3253

Dear Mr Rayner

**Rebalancing ATOL. Response from Chris Durdin, Director, Honeyguide Wildlife Holidays, ATOL Number 3253.**

I have read the CAA's consultation document with interest and, I have to say, some surprise.

I write as a holder of a SBA, having had an ATOL for 21 years. I am quite proud to have an ATOL and I read with disappointment about the failures and, in effect, abuse of the safety net provided by ATOL/ATT.

I write now with an initial reaction – perhaps not entirely measured – which I hope is helpful. Perhaps this could be the start of a dialogue? I know you'll have a lot of responses, but it would help to treat these individually. In particular, I'd like to be reassured that the voices and needs of small tour operators like me who hold an ATOL won't be lost.

When the SBA was introduced, with the admirable aims of cutting administration costs and red tape, it seemed like a very constructive step. It comes as a shock that the SBA sector is so, well, troublesome, and such a drain on the ATT. I recognise that this needs to be tackled.

I am puzzled that so many SBAs fail. They must have very different business models to mine. I run group wildlife holidays, as you will see by looking up Honeyguide. On the rare occasions we don't have enough people for a group on a holiday, that individual holiday doesn't run. Apart from minor shared overhead costs (e.g. a brochure page) there are no costs involved. It has little or no impact on the business, which therefore is low risk.

My instinctive reaction to the more onerous (and expensive) regime proposed across the board is rather like a child's: "It's not fair!"

Putting that into more grown-up language, the paper doesn't seem to take into account the needs of lower risk, lower turnover businesses – and surely there are many in this category?

29/04/2015

“For example, research carried out for the CAA suggests that a significant proportion of these businesses have very weak financial stability, which is unsatisfactory for a business model which takes customer money in advance of providing services.”

I understand that this cannot be ignored. There are plainly businesses that are problems for the CAA, yet sound businesses get caught up in broad-brush changes. This suggests to me that the analysis done by your team is too simple.

Surely there must be some better way to filter the risky businesses from the less risky businesses under existing systems. Are there differences by market sector? By destinations offered? By size – e.g. 250-500 pax per annum, rather than, say, 1-250 pax? By number of staff involved and related overheads? By type of premises? By turnover – for example, how many businesses with turnover of less than £1,000,000 fail? Or less than £500,000, or £250,000?

Alternatively, could financial scrutiny return as a first filter? I write as someone who supplied accounts to the CAA for many years, and was surprised when that stopped. I was grateful when the admin of providing accounts ceased, naturally, but the cost and effort of sending a copy of annual accounts is minimal.

The bond, which we also used to provide, is more costly and heavy on admin effort, but if that has to return, so be it.

Turning to your questions:

**1. Do you agree that the CAA should end the SBA arrangements, given the reasons stated and the availability of alternatives?**

No. Although the paper explains why SBAs have been a drain on the ATT, it tars all SBA holders with the same brush. There seems to me to be intrinsic merit in low administration costs and red tape for small businesses, and this chimes with Government policy. Better analysis / systems are needed to identify the riskier SBAs.

**2. Do you agree that the CAA should develop and implement a more sophisticated financial test for ATOL holders licensed for less than £5 million?**

Broadly, yes. But where are the real risks? For example, how many businesses with turnover of less than, say, £1,000,000 fail?

**The CAA is proposing to a 3 year transition period to introduce the enhanced assessment. Do you agree with this timescale?**

If changes come in, a phased timetable may help. New systems should be applied to riskier businesses at first. If the CAA cannot work out who they are, then start those with the highest turnover.

**3. Do you agree that the CAA should make a requirement that accountants reporting on ATOL regulatory information must be Licensed Practitioners?**

It depends on how difficult this is. Training is sensible enough. Yet ‘Licensed Practitioners’ sounds like a bureaucratic hurdle. By happy chance, my accountants are one of the biggest in Norwich. But they deal with little ATOL business. They may or may not wish to become Licensed Practitioners – they are considering it as I write. This move will tend to prejudice against smaller accountants and may lead to a concentration of ATOL business in larger (and more expensive) accountancy firms.

**4. Do you agree that the CAA should introduce an online self-service facility by which ATOL holders will be able to submit financial reporting, as part of a wider move towards online applications?**

If this meets the CAA’s needs, simplifies processes and reduces costs, fine.

**5. If these proposals are introduced would you be more likely to remain with the CAA, or transfer to an Accredited Body or an ATOL franchise and, if possible, which one? What do you estimate the costs and benefits would be?**

I would stay with the CAA. I have a circular from the Travel Trade Consultancy which sums up the problem of ABs:

“You would need to begin operating on a trust account basis which would impact your cash flow. You would need to use the AB's back office I.T. system for recording bookings and you would be restricted to using suppliers approved by the AB. You would also lose your own ATOL number and would have to trade under the ATOL number of the AB.”

ABs are a small handful of big travel agents. ABs reinforce the ‘big is good’ mindset. They may shoehorn tour operators into certain flights that aren't the right ones for tour operators or customers. It would add a layer to admin processes. Small tour operators, like the general public, are much more able to take advantage of the simple and effective online booking systems of the airlines.

**6. Do you agree with the CAA's current assessment of the costs and benefits of the proposals? Are there any other costs or benefits not identified that should be considered by the CAA when assessing the impact of the proposals?**

As noted above, I suspect there is more variation of risk by SBA type that has not been analysed. In particular, the fixed costs of renewal, bonding etc mean there is a disproportionate impact on smaller tour operators that the paper does not reflect.

Other comments

1) “Nor has the SBA option provided a ‘nursery’ from which small businesses can grow, to any material extent. The original intention was that with easier access to a regulated market, these firms would grow and become standard ATOLs. In reality this only occurs for an average of 11 SBAs per year, so although it does happen the overwhelming majority of SBAs – around 99% each year - remain as SBAs.”

Can I observe that although no doubt this is true, that there is nothing wrong with remaining a small business. Congratulations to those 11 SBAs p.a. that do grow – but to understand that there is a natural ceiling to your market niche is sound business and better for some businesses, customers and the ATT in the longer term.

2) “In many instances where incorrect accounting occurs it is due to a lack of understanding, although it may in some cases be deliberate.”

If the latter is true, it's serious. Have there been cases followed up and made an example of?

I will be grateful to hear your comments.

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-----Original Message-----

**From:** ATOL Consultation [<mailto:ATOL.Consultation@caa.co.uk>]  
**Sent:** 30 June 2014 10:48  
**To:** ATOL Consultation  
**Subject:** Changes to ATOL - CAA Consultation Launched Today

The CAA is consulting industry on proposals to rebalance the regulatory approach to the Air Travel Organisers' Licensing (ATOL) scheme.

This will extend the risk-based regulatory approach now well established with larger licence holders, help reduce the likelihood of consumers being affected by insolvency and provide further protection against calls on the Air Travel Trust (ATT).

The consultation document can be found on the CAA website [here](#). The changes proposed have the

potential to bring significant benefits to the ATOL scheme as a whole and the consumers that it protects. They will affect all ATOL holders – particularly Small Business ATOL holders - and firms applying for an ATOL for the first time.

The main proposals to be aware of are:

- The withdrawal of the Small Business ATOL (SBA) scheme.
- The adoption of a more risk-based method of financial assessment for ATOL holders with licensable revenue of less than £5million.
- The introduction of revised assurance reporting arrangements which have been developed in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW).
- The development of online facilities which will enable ATOL holders to access self-service and self-assessment services in conjunction with the other changes.

The closing date for responses is 6 October and the CAA is keen to hear your views.

Any responses or queries should be e-mail to [consultations@caa.co.uk](mailto:consultations@caa.co.uk)

Kind regards

**Consumer Protection Group**

Civil Aviation Authority

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