[News story: Post-Monarch review finds too many passengers flying unprotected]

Too many air passengers are flying without adequate protection against the insolvency of their airline, a government-commissioned review has reported.

The review found passengers must have clarity and confidence about the risks of airline insolvency and how they are protected when they travel.

The current protection landscape does not give passengers enough support, is often confusing, and can lead to some passengers paying twice for the same protection while others, whether they know it or not, go unprotected.

The Airline Insolvency Review was established by the Department for Transport following the collapse of Monarch in 2017, and has today (12 July 2018) published its [interim report].

Peter Bucks, Chair of the Airline Insolvency Review, said:

> Air travel clearly brings huge benefits, connecting people from all over the world, but when an airline goes out of business, it can affect large numbers of people who can often look to their government and the taxpayer to assist them in their hour of need. Too many do not have protection of their own, too often requiring the taxpayer to step in.
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> Even though airline insolvencies are relatively rare, we need to be prepared to deal with the consequences for passengers when one occurs. Ensuring all passengers can get home requires organisation, funding and in many cases more than simply rebooking onto other flights.
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> The interim report is a key milestone in the Airline Insolvency Review, giving the opportunity to reflect on the views we have heard to date and setting out our initial conclusions. In the next phase of our work, we will continue to engage openly with interested parties as we develop concrete proposals to address these complex issues.

Findings of the review so far have shown that there is no one-size-fits-all solution to repatriating passengers in the aftermath of an airline failure – the best approach will depend on the airline and circumstances of the failure.

In the event of an airline insolvency, the review has identified that the most effective option is to keep the fleet of an insolvent airline flying. However, this is not without considerable challenges, risk and expense.

Therefore it is necessary to ensure a range of options are available, including using existing alternative capacity where possible and chartering additional aircraft. This approach will be described in more detail in the final report.

Other findings of the interim report include:

- the risk of an airline insolvency is significant and if it were to happen, could affect large numbers of people, as was seen in the cases of Monarch and Air Berlin
- current protection measures – such as travel insurance, credit cards, ATOL protection – often overlap, meaning that some passengers have paid for protection twice and others have no protection at all
- there are limits to the numbers of passengers that can be handled by existing capacity and Monarch-style charter operations – this means that larger UK airlines would need to be kept flying in administration to ensure passengers are able to make swift returns home and avoid long delays
- repatriating passengers is likely to require additional sources of funding than are currently available, if the burden is not to fall to the taxpayer – the review is exploring how these additional funds could be made available
- the review will look at the role that awareness-raising among passengers can play, but is sceptical it will deliver a solution to protect the taxpayer fully from the risk of intervention in larger airlines' failures

The publication of the interim report follows extensive consultation, including 2 public evidence sessions held in London and Manchester.

This has allowed the review team to discuss issues raised in the responses to the call for evidence, as well as offering those with an interest the opportunity to speak directly to the chair and review team. It represents a progress report on its analysis to date and sets out the programme of work it intends to undertake to inform its final recommendations.

Recommendations will be developed as part of the final report, due to be published at the end of the year.

Information on the availability of alternative capacity

The review looked at the capacity available on the world's busiest route, London–New York. It found that for some airlines with high market share, even on this route, using existing alternative capacity would not be sufficient to enable all passengers to complete their journeys without significant delay. The analysis found that in the case of British Airways, there would be nearly four passengers chasing each available alternative seat.

Even looking beyond routes between New York and London and including all major US hubs and all UK airports, there would still be at least 2 passengers for each available alternative seat. The review concluded that sufficient capacity was only therefore likely to exist for all airlines if European hubs were used and passengers undertook journeys with multiple legs.

The review’s analysis also showed that the position is likely to be worse for short haul holiday flying, where highly seasonal, mainly outbound routes are common and lead to very low availability of alternative capacity.

The review estimates the availability of charter aircraft to repeat a Monarch style operation, to be currently limited to around 60 aircraft outside the peak season. It is therefore not sufficient to deal with the larger airlines operating to and from the UK.

Information on the risk of insolvency

The review assessed the insolvency risk of the top 17 UK airlines that account for over 80% of the UK’s air passengers. The average risk of any one insolvency is around 25% in any one year. For the 11 airlines with publically available credit ratings the average probability rises from 6% this year to 13% in 15 years’ time.

On average an airline insolvency would impact 500,000 passengers in 2018 to nearly 900,000 in 15 years’ time.

This analysis is based on the average risks of companies with those credit ratings across all sectors. The risk in the aviation sector may be larger or smaller. For example, this analysis does not take into account the possibility that more airlines may cease trading through mergers and acquisitions than is the case across other sectors and hence avoid insolvency.

Datasets for airline insolvencies amongst operators to and from the UK are very limited and single insolvency events would have undue significance in any analysis. For these reasons aviation specific insolvency data have not been used to generate this risk analysis. The review will be sensitivity testing these results against other metrics in the future.