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News Release

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TAANZ WELCOMES NEW AIRLINE AGREEMENT

The Travel Agents Association of New Zealand (TAANZ) has concluded a new Agreement with a number of international airlines, to continue to provide protection to the airlines in the event that a travel agent experiences financial difficulty, which involves both parties joining in a self insurance scheme and investment fund that could eventually bring far reaching financial returns.

The TAANZ Airline Agreement, as it is known, has been in force since 1983, however the previous version expired in June 2006 and the past several months have seen the parties negotiating a new Agreement that retains the basic protection mechanisms, but takes a new structure.

Paul Yeo, chief executive of TAANZ said, "We've taken a new approach to the way the scheme is administered by forgoing our previous insurance cover which has cost TAANZ and the airlines over half a million dollars in premiums since 1992. This policy has never been claimed on so we will now begin building a jointly owned contingency fund to do the same job. After a few years this investment fund should be at a level that requires no further topping up and so some substantial cost savings will accrue to everyone. How these are applied is a decision for a future TAANZ board, but membership fee reductions are an obvious option."

"TAANZ board member Mr Mark Abbot first proposed this somewhat radical revision of the Agreement last year and with the full support of the board presented this to the airlines, represented by the International Air Transport Association (IATA) here in New Zealand. We were delighted when the airlines embraced the concept, however it took several months of detailed discussions to work out and agree on the mechanics of the new scheme as it involved strict legal scrutiny on both sides. The positive and open approach shown by the airlines has matched our enthusiasm for the scheme and has seen our relationship improve to probably the best it has been for several years."

The new three year Agreement became effective on 1 January 2007, however the formal signing by individual airlines will only conclude later this month. The Agreement automatically extends for ongoing periods of one year on a rolling basis unless the parties decide otherwise.

Mr Yeo said, "There is obviously a risk in self-insurance however we believe it is extremely small. If we take a big hit brought about by a major agency collapse then we have the option of reverting to the old scheme and taking out new insurance cover. There have been occasional misgivings amongst agents about the Bonding Scheme and Airline Agreement in the past but it has worked well over the years. The costs for our members in running such a scheme are likely to be substantially less than any alternatives that would be imposed by the airlines should the Bonding Scheme be discontinued. We're all mindful of costs to our members so this revision was driven by the prospect of savings in the medium term."

The TAANZ Bonding Fund is currently worth \$1.7 million, from which separate Consumer and Airline protection Funds are drawn. Each TAANZ member pays a bond and levies into the Fund and a Bonding Authority manages the strict criteria and scrutinises members. In the 27 years since the self-regulated scheme was initiated, TAANZ has processed claims of \$3.1 million from both consumers and airlines and recovered \$2.3 million through member bonds.

The new Airline Agreement doesn't change the Consumer Fund, which will continue to protect consumers up to \$250,000 per TAANZ member.

The new Airline Agreement will protect the airlines up to \$200,000 per annum per TAANZ member to a maximum of \$400,000 in any one year. This is a change from the \$250,000 per annum over all TAANZ members offered in the old Agreement.

If the \$250,000 per annum limit had been breached under the old Agreement – which never happened – an insurance policy could have been drawn upon for a further \$365,000. Maintaining this policy was an expensive exercise that has now been deemed unnecessary.

Under the new Agreement the insurance policy will be replaced by a jointly owned Contingency Fund into which both TAANZ and the Airlines will deposit \$40,000 each annually. By 2010 this investment fund will likely reach \$320,000 plus interest and half of the Fund will then become available to access should there be a major claim. This Fund will only be drawn upon if the Airline Fund claim maximums are exceeded in any one year.

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The Travel Agents Association of NZ was founded in 1962. It represents over 500 travel agencies throughout the country who employ 3,500 staff and who carry out over \$3 billion worth of travel business annually.