

The operation to help customers affected by the failure of the Monarch Airlines Group

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Contents

Contents	3
Summary	4
Background to the Monarch operation	6
How the Monarch operation unfolded	8
CAA communications to support the Monarch operation	13
Monarch operation background: what is ATOL?	17
Conclusion	20

Summary

The Monarch Airlines group of companies, except for Monarch Aircraft Engineering Ltd, entered administration on Monday 2nd October 2017 at 4am UK time.

We have prepared this factsheet to explain how the CAA put in place a programme to fly home those who were abroad, together with our role as a regulator and how the ATOL protection scheme works.

We also summarise key information about how much the programme cost and how it was funded.

We have been as open as possible in describing how this situation unfolded. At the same time, we have protected commercially sensitive matters exempt from disclosure under the Freedom of Information Act.

This document gives the facts and figures behind the operation.

At 4am on Monday 2nd October 2017, the Monarch group went into administration, becoming the UK's largest-ever airline failure.

In the early hours of that morning, the best advice we had was that 110,000 people were overseas, unaware the flights they had booked to return them to the UK no longer existed. Of those, about half were ATOL-protected, giving them the assurance of being flown back at no extra charge.

Full access to passenger data confirmed that 110,000 figure. Experience suggested not all would arrive for their replacement flight, having already made alternative travel arrangements. In the event, we flew 85,000 back to the UK.

In the following two weeks, 98 per cent of those people flown to the UK in the Civil Aviation Authority's programme arrived on the same day they had originally booked. The majority were returning from Spain and Portugal.

The government instructed the CAA to repatriate every Monarch customer, regardless of whether or not they were covered by the ATOL scheme.

The final flight of the programme was from Tel Aviv to London Luton just after 03.30 on Monday October 16th, carrying 122 passengers. The final day had seen 23 flights with seats for 4,500 people returning from 20 destinations.

A further 300,000 bookings for future flights and holidays had been made. Of these, 20,000 were ATOL-protected under Monarch's licences and approximately 80 per cent of claims made had been refunded by the Air Travel Trust within three months of the failure.

The final cost of the repatriation operation is expected to be around £53 million.

Andrew Haines, then Chief Executive of the Civil Aviation Authority, said: “This was a phenomenal challenge and required the cooperation and support of many businesses, government departments and individuals.

“Like any other airline, we faced operational challenges, including bad weather and air traffic control strikes abroad. Despite this, so much of the feedback we have received from passengers was very positive. This was not a job any of us wanted to do but we are pleased to have all played our part in Britain's largest peacetime repatriation.”

Background to the Monarch operation

Licences

To operate its airline and package travel business, Monarch needed to be granted the following licences from the CAA.

- Air Operator's Certificate (AOC);
- Operating Licence (OL), which includes an assessment of an airline's financial position;
- Route Licences - permission to fly two particular routes between the UK and non-EU destinations;
- Air Travel Organiser's Licences (ATOLs) for their package holiday businesses.

Once approved, an AOC, OL and route licence are continuous, companies do not need to renew them. However, they may be suspended or revoked if, for example, an operator becomes insolvent. Even then, this only takes place after a structured decision-making progress has been completed.

An ATOL is an annual licence and is renewed every 12 months. Monarch's ATOLs ran from 12th October 2016 to 30th September 2017. For more background on ATOL, go to page 18.

Risk of failure, contingency planning

On Tuesday 29th August, Monarch's directors advised the CAA it was working with KPMG to explore a range of options, including selling group companies, group assets or re-positioning as a long-haul airline.

Although its cash position was healthier than it had been in previous years, Monarch said difficult trading conditions and an increasingly competitive market had made its medium and long-term future uncertain.

On learning of the directors' concerns, we continued to monitor closely the financial health of Monarch. We took steps to review our pre-existing contingency plans to ensure preparedness for every eventuality.

We concluded that the risk of failure had increased significantly and following consultation with Government, CAA was instructed to take appropriate steps to implement pre-existing contingency plans with the principal aim of minimising detriment to consumers.

The plan was designed to allow the CAA to be confident that it could run the repatriation programme when needed. Some of the planning context was supportive of a successful operation, including the availability of sufficient flying capacity and the co-operation of the group's directors and insolvency practitioner. In the absence of such factors the contingency plan would not have been so robust.