

# The collapse of Thomas Cook

The Thomas Cook business has been short of cash for much of the last decade, with refinancings to keep it going. At the end it was decided the business was so short of money that it had to go into liquidation. If it had gone into Administration that would have been an expression of more hope of finding a buyer for it as a going concern after some new financial restructuring.

The senior management of the company said their aim was to make it the “most loved holiday company”. I doubt it is today. They wanted to take customers on a journey “from dream to experience”. The experience this week is not quite what customers had in mind. We were told in the last annual report that the “customer” is “at our heart”, and the employees put their “heart into it”. Now the employees are out of a job.

In the last Report the Directors assured us they had stress tested its future viability as a business for a three year period. They said “the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment”

The Audit Committee also looked into viability and stated “there are no material uncertainties as to the Group’s ability to operate as a going concern” drawing on the three year stress tests no doubt.

Finally the auditors wrote “We conclude that the use of the going concern basis of accounting is appropriate and concur with the Directors that no significant uncertainty has been identified”.

Thomas Cook did not short change the senior management when setting salaries and bonuses for them. People will be asking just how did this company fall so far and so fast this year after the positive statements made about it in the last Annual Report?

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## Information for Thomas Cook customers and staff

I have received this letter from the Secretary of State for Transport:

Dear John

The Thomas Cook Group has confirmed to my Department that it has ceased trading and been placed into compulsory liquidation. I am writing to set out the steps the Government is taking to support passengers and staff affected,

and where your constituents can find further information if needed [see Annex below].

I recognise that this is a distressing situation for all involved, and I would like to assure you that the Government is committed to supporting those affected, including by providing repatriation flights free of charge. We have been contingency planning for some time to prepare for this scenario. The Government and UK Civil Aviation Authority (CAA) have run similar operations in the past and will be working hard to minimise disruption for passengers and assist Thomas Cook's staff.

Despite the preparations and previous experience, the task before us represents the largest peacetime repatriation undertaken by the UK Government – more than 150,000 Thomas Cook customers are currently abroad. Some disruption and delay is inevitable and we ask for understanding, particularly for the Thomas Cook staff who, together with UK Government staff either in place or en route, are working to ensure the safe return of customers.

All Thomas Cook flights have now been cancelled and the CAA and UK Government are working together to get passengers home as close as possible to their planned date. Normally, the CAA's responsibility for bringing passengers back would extend only to customers whose trips are covered by the Air Travel Organiser's Licence (ATOL) scheme, with the costs of assisting those passengers falling to the Air Travel Trust Fund (ATTF).

However, due to the unprecedented size of this operation there is insufficient capacity in the commercial aviation market to enable all of Thomas Cook's non-ATOL passengers to get home on other airlines. Some passengers would have to wait for a week, or longer, and many would suffer financial and personal hardship while they waited for an available flight with another airline. With tens of thousands of passengers abroad and with no easy means of returning to the UK, **I have therefore instructed the CAA to bring home without charge all those currently abroad and due to return to the UK.**

Our advice to passengers at this stage is to be patient and follow the guidance given by the CAA. **People should complete their holidays** and, in most circumstances, will not be flown home ahead of their scheduled return date. **A small number of passengers may need to book their own flight home and reclaim the costs.** Passengers should check the dedicated website for more information – [thomascook.caa.co.uk](https://thomascook.caa.co.uk)

The decision by the Thomas Cook Group's board will be deeply upsetting for their employees. DWP's **Jobcentre Plus** Rapid Response Service is there to help workers get back into employment. The Jobcentre Plus Rapid Response Managers across the UK are ready to engage with the administrators to get started on this vital work. In the event of any redundancies, there are special arrangements for employees who are owed redundancy pay and notice pay by their insolvent employer: the Redundancy Payments Service in the Insolvency Service can pay statutory amounts owed to the former employees from the National Insurance Fund. Further information on pension questions can be found below. A cross-government Task Force is also being established to

address the impact on employees and local communities (more detail will be shortly available)

Finally, I want to address directly the issue of the cost of this operation. The operation is modelled on the successful repatriation of passengers after the collapse of Monarch Airways. The final cost of that operation to taxpayers was about £50m. The repatriation effort for Thomas Cook is about twice the size. It has also been suggested in the press that the Government could have avoided the collapse with a bailout of up to £250m for the company and its shareholders. This was simply not the case, with no guarantee that such an injection would have secured the future of the company.

Should your constituents have any further questions, please direct them towards the CAA website ([thomascook.caa.co.uk](http://thomascook.caa.co.uk)) in the first instance. Colleagues are also welcome to contact me with any questions.

Yours ever,  
Rt Hon Grant Shapps MP  
SECRETARY OF STATE FOR TRANSPORT

#### **ANNEX: Information for Thomas Cook customers and staff**

Thomas Cook customers (including with those with flights, hotels or both) The Civil Aviation Authority (CAA) and Department for Transport (DfT) have put in place an emergency plan to help Thomas Cook customers return to the UK – flights will be free of charge (or can be claimed back) while additional hotel costs, in the event of a departure delay, can be claimed on insurance. If Thomas Cook customers do not have insurance or are covered by ATOL, a hardship fund will be accessible to cover these costs in reasonable cases.

- Thomas Cook customers seeking information on their flights and on other issues should visit the dedicated website at [thomascook.caa.co.uk](http://thomascook.caa.co.uk) – the best and quickest way to get information and access the helpline.
- British nationals overseas who require specific consular assistance, for example if they have a medical condition or issues with their travel documents, will be referred to consular staff from the Foreign and Commonwealth Office.
- Contact details for UK embassies and consulates can be found through <https://www.gov.uk/world/embassies>
- Wider consular assistance offered by the Foreign Office is set out in our guide to Supporting British nationals abroad: <https://www.gov.uk/government/publications/support-for-british-nationals-abroad-a-guide>

Passengers arriving back in the UK on special repatriation flights:

The CAA will attempt to fly people to the airport they had originally booked. This will not always be possible and in such cases the CAA will arrange onward transfer the customers original return destination in the UK. MHCLG will work with local authorities and their Local Resilience Forums to provide welfare support for passengers requiring this, for example, if they arrive at anti-social hours.

For more information see [thomascook.caa.co.uk](https://thomascook.caa.co.uk)

### **People booked and about to travel with Thomas Cook?**

People in the UK should not go to the airport – there will be no further outbound Thomas Cook flights for passengers. In these cases, ATOL-protected trips will be refunded in line with the scheme. For those who do not have ATOL cover, they may be able to recover the cost of their holiday through their own credit or debit card company, or some travel insurance policies. Passengers should also contact their travel company to see if they can change their holiday or claim a refund. More information is available on the dedicated CAA website.

### **Thomas Cook Staff**

The Government's Jobcentre Plus Rapid Response Service stands ready to help people find a new job as soon as possible by offering tailored support. A Department for Work and Pensions's Jobcentre Plus Rapid Response Service Team will be live across the UK and ready to begin working with administrators as soon as possible.

A cross-government Task Force is also being established to assist the staff and high-streets affected.

Staff with specific employment questions (including pensions) should visit [thomascook.caa.co.uk](https://thomascook.caa.co.uk) or <https://www.ppf.co.uk/>

### **Customers with a future booking**

For those who've booked holidays, hotels, flights or other services, they should visit [thomascook.caa.co.uk](https://thomascook.caa.co.uk) for information on options to seek refunds.

### **Contact number**

The CAA's website is the best 'source of truth' during this operation ([thomascook.caa.co.uk](https://thomascook.caa.co.uk)). The CAA's call centre for Thomas Cook customers can be contacted as follows:

- Phoning from the UK (reduced rate): 0300 303 2800
- Phoning from overseas: +44 1753 330 330

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## **[Flexible working and decent working terms and conditions](#)**

I do not think a company should be able to make employees declare they are self employed whilst they work more or less full time for a single employer. Such a device is just a way of avoiding some National Insurance, and cutting

out sickness and holiday pay, pensions and other employee benefits. Nor do I like zero hours contracts which require someone to be always available when the employer chooses but not to have flexibility about when they choose to work. I do not like cheap skate employers nor employers who are only flexible for themselves when it comes to hours.

It is important, however, to recognise that there are plenty of flexible employment relationships that work well for both employer and employee. It is important as governments seek to regulate to prevent poor treatment of genuine employees they do not stifle innovation and flexibility in employment models that are fine for both sides. I have recent cases and recent encounters with people working in flexible ways that reminds me some of these models are good in many ways. I have several complaints about the Inland Revenue trying to make people into employees when they are sure they are independent contractors.

Let's take a couple of examples. A taxi driver told me he had recently qualified in digital technology whilst driving limited hours to pay his bills whilst studying. He wants to continue driving when it suits him, as he is now setting up his own tech business. He wants to be free to meet potential clients when they wish, and to develop the business when he needs to, whilst relying on the driving for a bit longer to pay the domestic bills. He is happy to be a self employed contractor, even if he often gets his taxi passengers from the same source. He does not want to be an employee for fear that then he would have to work when the employer told him to which could conflict with his new business needs.

A delivery rider for a pizza firm or food delivery business also wants to be self employed. He may usually get jobs from the same source, but wants to be free to ride for someone else if they have more to offer when he is available or if the rates change. He is paid by the deliveries effected, and does not have to turn up on days or at times when he has something better to do. This is another way people can study, set up a business, undertake training or develop some new interest whilst being able to pay the bills. No-one makes them do this, and they have the choice to become full time employees of a firm in a similar line of business.

Many of these models are success stories. Those running them have to negotiate with the Revenue over how far they can go in supporting and backing the drivers or riders before they are said to be their employer. The individuals concerned have to be careful to take work from more than one, or to keep flexing the hours to show they are not in effect employees. What do you think the rules should say? How can we keep the flexibility this type of work allows, without it becoming exploitative of relatively low paid people? Where it is a voluntary choice and other options are available, why should the government try and stop it?

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## Will a gloomy Treasury try to stop a budget for growth?

My forecasts show that if the UK has a budget soon which confirms the spending increases announced for next year and offers around £12bn of tax cuts, the economy should grow faster next year than this, assuming we leave on 31 October 2019 without signing the Withdrawal Agreement. As readers have seen, I allowed for some loss of export volume on agricultural exports affected by EU tariffs, some favourable import substitution on agricultural imports from the EU affected by our tariffs, maintained farm incomes from UK assistance to farms replacing EU, a boost from tax cuts and spending increases to domestic demand and savings of £12bn on public spending and the balance of payments from no more net EU contributions. Overall we could see up to an additional 1% gain of GDP on the growth rate depending on how far the fiscal reflation goes and depending on whether monetary policy would also be made supportive. Money policy is currently too tight and out of step with relaxations elsewhere in the Euro area, US, China and Japan.

The Treasury and OBR may want to paint a different picture. I read that they wish to suddenly introduce a £12bn non cash charge as an item of public spending to allow for student loans that may not be repaid. The Student loans scheme was first introduced in 1999 for tuition fees, was beefed up in 2004 when Labour trebled the tuition charge, and increased substantially again when the Coalition after 2010 put through a further trebling in tuition fees. All the time we have been in the EU seeking to get debt and deficit down in accordance with EU Maastricht criteria the Treasury has not thought it necessary to make early provision for possible loan losses. All of a sudden to coincide with the PM's stated exit date from the EU they decide they need to introduce an extra spending line item at exactly £12bn, roughly the amount of our net budget contributions to the EU. It was as if they wanted to say to Leave voters who want to spend that money on our priorities, we will make it vanish away even though nothing real changes for the student loan scheme the day we leave the EU.

Worse still, the OBR may want to issue economy forecasts that are pessimistic about growth if we just leave without the Withdrawal Agreement. This would be in line with wildly inaccurate short term Treasury forecasts made during the referendum saying the UK would enter recession in the first few months after voting to leave. Such forecasts would presumably suggest a bigger deficit, claiming that revenue will be down owing to less activity, and benefit spending up owing to more unemployment. Even under revised deficit control rules it would probably be used as an excuse to argue against the economic boost the economy clearly needs with or without Brexit.

The government needs to argue back. It needs to say that the OBR as an independent forecaster can of course forecast as it wishes, but the government does not have to rely on a forecast as unreliable as the Treasury 2016 pre referendum forecasts and can point to how wrong they have been in the past. The government should also make the good point that were any OBR

pessimistic forecast to be in the right direction it would strengthen the case even more for a stimulus to offset the feared downturn.

The current deficit is under good control. The state can afford to spend the savings on EU contributions and a bit more. Some of the tax cuts will actually raise more revenue, as some taxes are above the revenue maximising rate.

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## Good stewards of the planet

We share our lease on the planet with the rest of mankind during our lives. We should all want to pass it on in better environmental shape when we die. Each one of us can play our part and help use the planet's natural gifts in a sustainable and good neighbourly way.

Some constituents want to know what I am doing , so let me remind my readers.

I support planting many more trees. I have planted new trees in my constituency in public areas . I support the government's initiative to have more national forest, and local Council initiatives to have more trees and shrubs as a counter weight to more development.

I support local planning policies that protect more of our countryside, and wish to see slower rates of development in the next Plan.

I have cut food miles when buying from local shops. I now buy all my temperate foods from local or British sources to cut down lorry, ferry and airfreight transport.

When in London I now walk or use the tube for practically all journeys.

I usually take my holidays in the UK to avoid jet travel.

I avoid all single use plastic bags.

I use the Wokingham Council recycling facilities. I encourage better control of waste to prevent litter.

I have improved the thermal insulation, heating and heating controls at my home to cut energy use and improve thermal efficiency.

The government states its wish to be the greenest government ever. It should want to do more to extend out forests and areas of natural beauty, to protect our coast and fishing grounds, to control waste and to promote clean water and air. It should also do more to save energy, improve thermal efficiency and raise environmental standards throughout the public sector.