



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Transport

Investigation into government's response to the collapse of Thomas Cook

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Department for Transport

Investigation into government's response to the collapse of Thomas Cook

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

17 March 2020

On 23 September 2019, Thomas Cook UK confirmed that 26 of its UK companies had stopped trading, leaving an estimated 150,000 Thomas Cook customers overseas in 18 countries. The Secretary of State for Transport instructed the Civil Aviation Authority to repatriate all the estimated 150,000 Thomas Cook customers who were abroad. The government also had to respond to other impacts arising from Thomas Cook's insolvency including support to Thomas Cook's employees, among other things.

Investigations

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Key facts

£83m

estimated total cost to the Department for Transport for repatriating Thomas Cook customers

> £73m

estimated cost to government for responding to other consequences of Thomas Cook's liquidation

14 or more

public bodies involved in responding to the collapse of Thomas Cook

More than 140,000

number of Thomas Cook customers repatriated by the Civil Aviation Authority (CAA)

746

number of flights operated by the CAA to repatriate Thomas Cook customers

54

number of airports the CAA repatriated Thomas Cook customers from with the support of civil servants including the Foreign & Commonwealth Office (FCO)

18

number of countries the CAA repatriated Thomas Cook customers from with the support of civil servants including the FCO

What this investigation is about

1 On 23 September 2019, Thomas Cook UK confirmed that 26 of its companies had stopped trading, including Thomas Cook Airlines. Thomas Cook filed for compulsory liquidation and the Official Receiver was appointed as liquidator of the companies. All Thomas Cook flights and holidays were cancelled, leaving an estimated 150,000 Thomas Cook customers overseas in 18 countries. Since the commencement of the liquidation, around 9,000 Thomas Cook employees have been made redundant.

2 The Air Travel Organiser's Licence (ATOL) scheme, set up in 1973, protects UK consumers when they buy a holiday including a flight. The ATOL scheme protects more than 20 million holidaymakers each year and ensures consumers receive a refund or can return to the UK if their travel company collapses. Travel companies pay £2.50 per traveller into the Air Travel Trust Fund (ATTF), which is used to finance assistance to ATOL-protected customers. The Civil Aviation Authority (CAA) administers the ATOL scheme and the ATTF. If a travel company fails, the CAA, funded by the Air Travel Trust, assists the failed company's ATOL-protected customers, but not those without ATOL protection (**Figure 1** on pages 6 and 7).

3 Following the collapse of Thomas Cook, the Secretary of State for Transport instructed the CAA to repatriate all estimated 150,000 Thomas Cook customers abroad, including those without ATOL protection (Figure 1). The Department for Transport is reimbursing the ATTF for any costs related to repatriating non-ATOL-protected customers. Between 23 September and 7 October 2019, the CAA, working with the government, repatriated customers from 54 locations.

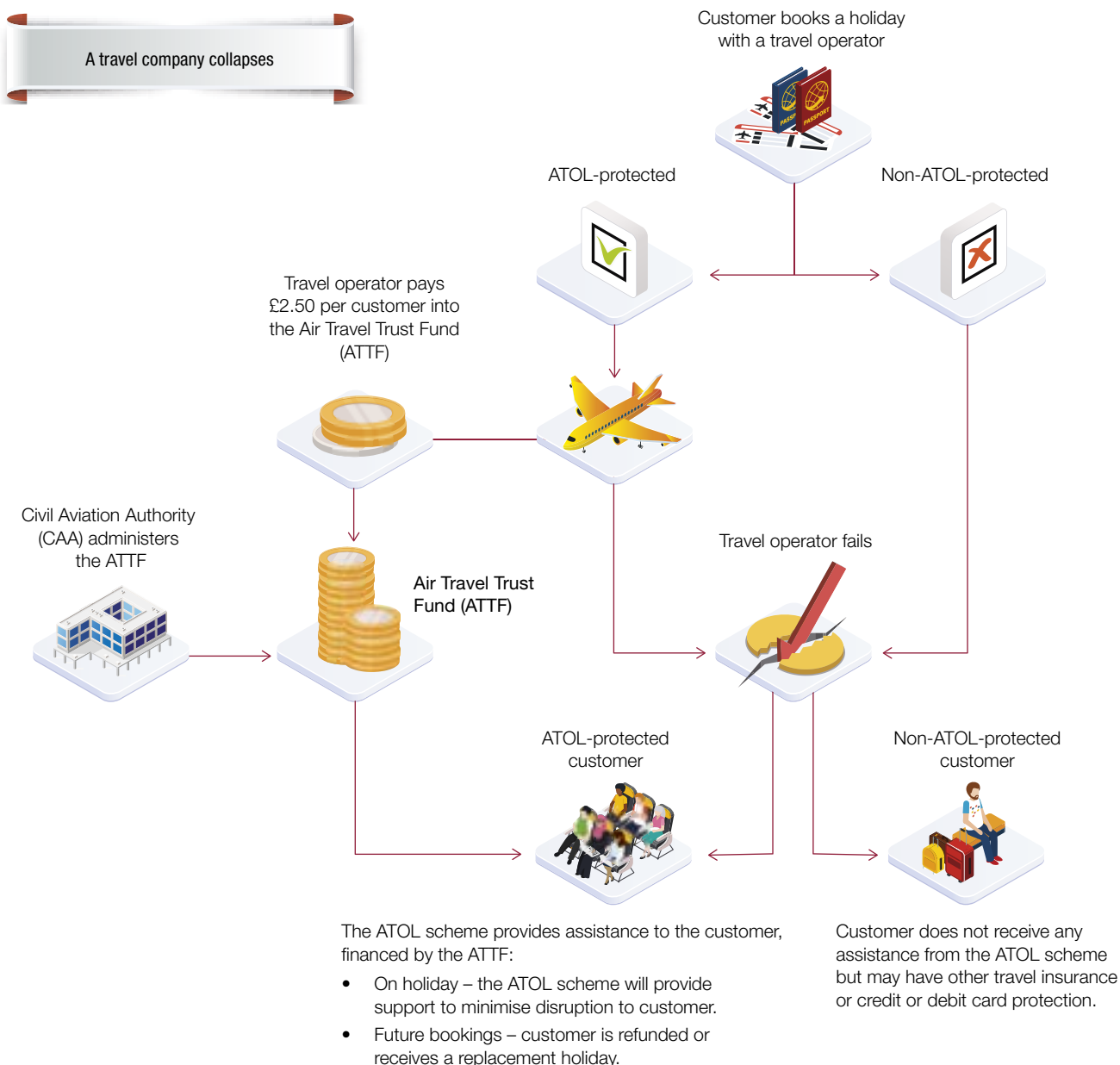
4 Following the collapse of Monarch Airlines Group (Monarch) in October 2017, the Department for Transport also instructed the CAA to repatriate around 84,000 customers, whether they were ATOL-protected or not. The Department for Transport paid £45 million to the CAA towards repatriating Monarch customers.

5 Besides its role in repatriation, the government also had to respond to other impacts resulting from Thomas Cook's insolvency. These impacts included making redundancy and related payments to former Thomas Cook employees and covering the costs of the Official Receiver. In addition, in November 2019 the government announced that it would set up a scheme for Thomas Cook customers with outstanding personal injury claims.

Figure 1

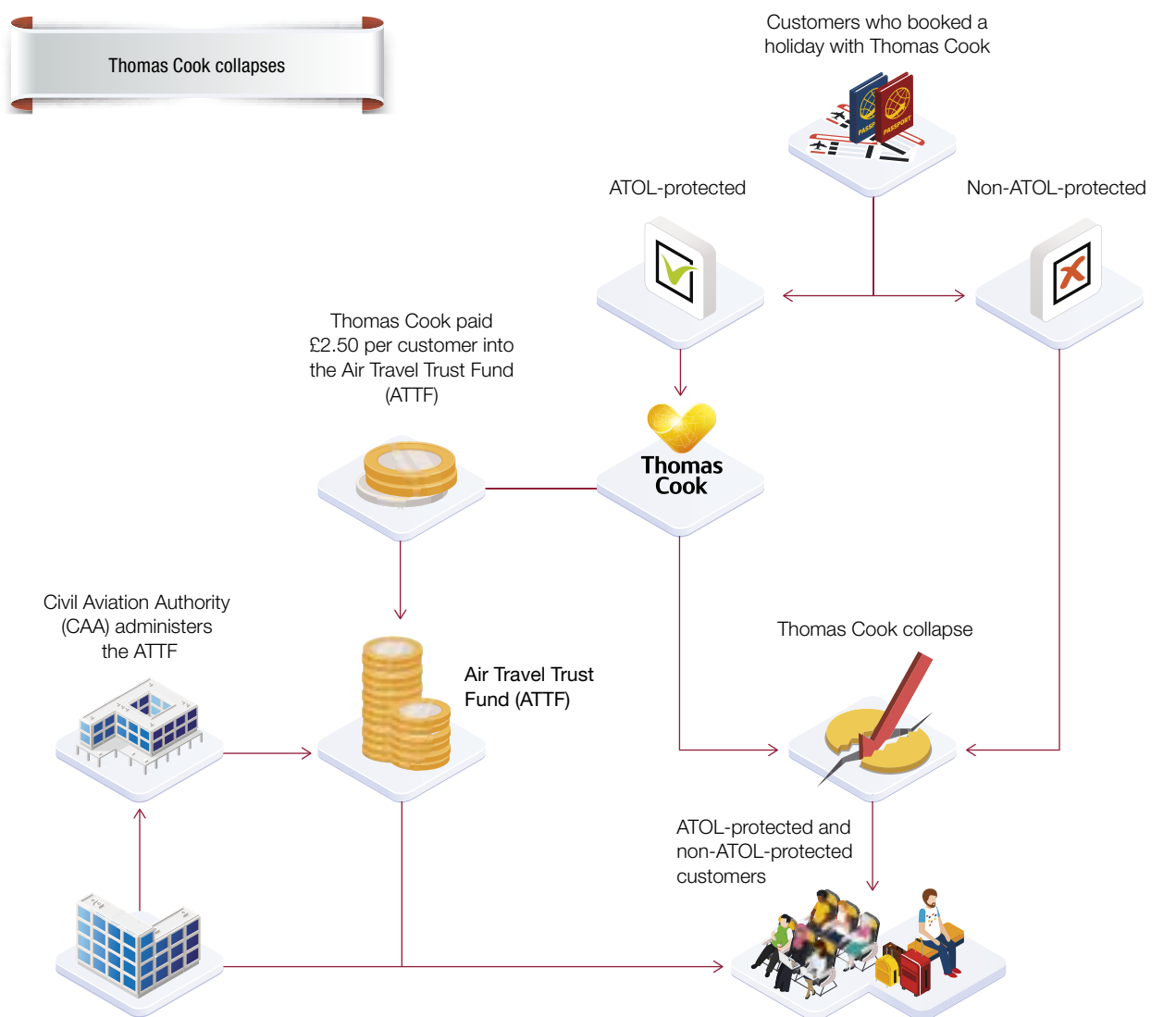
How customers are normally protected when a travel company collapses and what happened when Thomas Cook collapsed

The Air Travel Organiser's Licence (ATOL) scheme assists the failed company's ATOL-protected customers only. In the case of Thomas Cook, government intervened to also assist non-ATOL-protected customers



Notes

- Customers not ATOL-protected by Thomas Cook include those who received their ATOL protection from third parties. Customers with third party ATOL protection are eligible for refunds on future bookings from where they booked their holiday.
- In locations where a Civil Aviation Authority flight was not provided, all customers, including those without ATOL protection, were encouraged to pay for their own flights and claim the costs from their travel insurance or credit cards.



The Department for Transport instructed the Civil Aviation Authority to repatriate all customers, regardless of their ATOL protection. The Department for Transport is paying for the costs of repatriating non-ATOL-protected customers.

ATOL-protected:

- On holiday – customers could return using a CAA flight during 23 September and 7 October 2019 or claim a refund where they had to make their own travel arrangements.
- Future bookings – customers could claim a refund or receive a replacement holiday.

Non-ATOL-protected:

- On holiday – customers could return on a CAA flight between 23 September 2019 and 7 October 2019.
- Future bookings – customers did not receive a refund unless protected by another insurance scheme.

6 In response to media and Parliamentary interest about the role of the government and the costs to the taxpayer following Thomas Cook's collapse, we undertook an investigation into the government's overall response to the collapse. This report covers:

- the actual and potential cost to the taxpayer arising from the repatriation of Thomas Cook customers and the insolvency of Thomas Cook;
- how the government and the CAA planned and carried out the repatriation; and
- how prepared the government was before the collapse of Thomas Cook.

7 Before its collapse, Thomas Cook had written to the Department for Transport on 18 September 2019 seeking government support, including a proposal for the government to guarantee £150 million to £250 million of loans to Thomas Cook's lenders. On 22 September 2019, the Department for Transport told Thomas Cook that it could not provide the support. This report does not assess the government's decision not to provide this financial support to Thomas Cook.

8 The report also does not assess the value for money of the repatriation, or the role and performance of Thomas Cook's directors or its auditors. The Official Receiver was appointed liquidator of Thomas Cook and has a duty to investigate the reasons for the failure of Thomas Cook. The Official Receiver reported to creditors in December 2019 on the causes for failure, but its report on the conduct of Thomas Cook directors will not be made public.

9 This report covers the CAA's role and responsibilities in relation to the collapse of Thomas Cook. The CAA is a public corporation sponsored by the Department for Transport. The CAA is not subject to audit by the National Audit Office, unlike other government departments and other public bodies covered in this report, and its auditing arrangements are set out in statute.

10 On 5 March 2020, another UK airline, Flybe, entered administration and ceased trading with immediate effect. All flights were grounded and around 2,400 employees were made redundant. The government was notified about the financial difficulties of Flybe in January 2020. In the same month, the government announced that it would carry out a regional connectivity review and a review of Air Passenger Duty to look at how regional connectivity can best be supported, alongside net zero principles.¹ Flybe also separately issued a statement in which they noted that they had agreed a standard Time to Pay arrangement with HM Revenue & Customs for a debt of less than £10 million. This report does not cover the government's response to Flybe's financial situation.

¹ 'Net-zero' emissions mean that the total of active removals from the atmosphere offsets any remaining emissions from the rest of the economy. The UK legislated in June 2019 to reach net zero greenhouse gas emissions by 2050.

11 We conducted our investigation between November 2019 and March 2020 and interviewed government departments and other bodies that had been involved in responding to the Thomas Cook collapse. The data and information in this report are up to date as of 1 March 2020, unless otherwise stated.

Summary

Key findings

12 At least 14 public organisations, including at least nine government departments, responded to Thomas Cook's collapse. The government responded to the collapse in two main ways by:

- supporting the repatriation of Thomas Cook customers from overseas. The Civil Aviation Authority (CAA) organised and carried out the repatriation with the Department for Transport leading cross-government support including from the Foreign & Commonwealth Office; and
- dealing with the insolvency of Thomas Cook and its impacts. For example, the Department for Business, Energy & Industrial Strategy and the Department for Work & Pensions supported the Thomas Cook staff who were made redundant (paragraphs 1.2, 2.2, and 3.2 and Figure 2).

The actual and potential costs to government

13 The Department for Transport is covering the costs of repatriating non-ATOL-protected customers and the costs of the Official Receiver. Only those customers who were protected by the Air Travel Organiser's Licence (ATOL) scheme are eligible for assistance from the scheme, which is administered by the CAA, in the event a travel company fails. The Department for Transport is meeting the costs of repatriating non-ATOL-protected customers. The Department for Transport also provided an indemnity to the Official Receiver, agreeing to meet any shortfall in the Official Receiver's costs and against any liabilities arising from any claims brought against him as liquidator. This is because the Official Receiver had to keep parts of Thomas Cook running to support the repatriation. This is not part of the usual liquidation process (paragraphs 1.6, 2.8 and 2.13).

14 The total cost to the government of Thomas Cook's collapse is estimated and the final cost may not be known for some time. The total cost is currently estimated because:

- in relation to the total repatriation costs, the CAA is still receiving invoices for leasing planes, ground-handling charges, and other services, and will do so for some months (paragraph 1.11);
- the Department for Transport agreed to meet any shortfall in the Official Receiver's costs and the costs of liquidation will not be known until the Official Receiver finishes his work (paragraph 2.13); and

- the time spent by civil servants working on the response to the collapse is unlikely to be accounted for in full (paragraph 1.4).

15 We estimate the known cost to the government for the repatriation of Thomas Cook customers and the insolvency of Thomas Cook could be at least £156 million.

- **The Department for Transport is paying an estimated £83 million towards the costs of repatriation.** The Department for Transport is expecting to contribute £83 million (55%) towards the estimated £152 million total cost of repatriation (paragraph 1.8 and Figure 4).
- **Other parts of government could face costs of at least £73 million as a consequence of the insolvency of Thomas Cook.** These include:
 - at least £58 million of redundancy and related payments to Thomas Cook's former employees to be paid out of the National Insurance Fund, which is administered by the Insolvency Service; and
 - between £15 million and £23 million of costs to the Official Receiver, which are being met by the Department for Transport (paragraph 1.22).

16 Government is paying a larger share of the repatriation costs than originally estimated. In September 2019, the Department for Transport instructed the CAA to repatriate all customers and is paying the cost for those without ATOL protection. Immediately prior to the failure of Thomas Cook, the company provided the CAA with details of the estimated 150,000 customers due to return to the UK. The CAA used these data to plan the repatriation and estimated that 40% of customers did not have ATOL protection. In January 2020, the CAA received actual booking data from Thomas Cook and concluded that 55% of the 150,000 customers abroad at the time were not ATOL-protected. The Department for Transport became aware of this change in February 2020 and is now expecting to pay an extra £22 million (paragraph 1.9).

17 The Department for Business, Energy & Industrial Strategy has announced that, subject to legislation, it plans to set up a scheme to make ex-gratia payments to Thomas Cook personal injury claimants, although the cost of the scheme is uncertain. Payments will be made to those facing the most serious hardship as a result of injuries or illness. Thomas Cook had not insured itself against these claims. Although the cost to government of the scheme is uncertain, figures reported by Thomas Cook since 2016 provide an indication of the scale of claims on its books at the time of its collapse. In 2016, Thomas Cook recorded exposure of £83 million to illness claims, and made provisions of £19.9 million for such claims. In 2017 and 2018, the company made provisions for illness claims of £24.4 million and £18 million respectively, although it did not report its exposure (paragraph 1.23).

18 The government could face further costs if another travel company collapses in the near future. Government has agreed to stand behind the Air Travel Trust Fund (ATTF) in the event of a shortfall if any other ATOL holder collapses. In the five years from 2013-14 to 2017-18 the average annual call on the ATTF's resources has been £10 million, the call on the ATTF's resources following the collapse of Thomas Cook is estimated to be £481 million. In January 2020 the CAA announced that the ATTF had paid out £310 million so far. Although the CAA currently expects the ATTF to remain in surplus, there will be relatively limited resources left in the ATTF (paragraphs 1.18 to 1.21).

19 The Department for Transport is seeking to recover some of its estimated costs for repatriation. In the absence of government intervention, other bodies such as credit and debit card providers and travel insurers would have been liable for costs associated with their obligations to Thomas Cook customers. In October 2019, the Department for Transport wrote to UK Finance, the Association of British Travel Agents (ABTA) and the Association of British Insurers (ABI) to seek contributions from their members. When Monarch Airlines Group (Monarch) collapsed in 2017, the government recovered £2.3 million of the £45 million it paid out (paragraphs 1.14 to 1.16).

The repatriation

20 Before Thomas Cook collapsed the government considered a number of options, in case of a collapse, to repatriate Thomas Cook's customers, should they need to. The three main options considered were (paragraph 2.3):

- **Do nothing.** There was no legal requirement for the government to intervene. Thomas Cook customers would self-repatriate using commercial flights, and ATOL-protected customers could claim refunds later. Customers not protected by ATOL could seek refunds from credit card providers and travel insurers.
- **A managed repatriation of all Thomas Cook's customers using a mix of commercial aircraft and self-repatriation.** The CAA could repatriate customers using a mix of chartered non-Thomas Cook aircraft combined with self-repatriation using commercial flights.
- **Keep the fleet flying.** The CAA could use the Thomas Cook fleet of aircraft for repatriation. This decision would have required the agreement of the Official Receiver, while acting as liquidator, to maintain additional key elements of Thomas Cook operations to keep its planes flying.

The Department for Transport's preferred option was to repatriate all Thomas Cook customers using a mix of chartered non-Thomas Cook aircraft and commercial flights. On 17 September 2019, HM Treasury and the Prime Minister approved this option (paragraph 2.3).

21 The Department for Transport's decision to intervene was based on its assessment that Thomas Cook customers were at risk of significant disruption and cost in returning to the UK. The Department for Transport's analysis showed that without intervention by the government, there was not enough commercial capacity on Thomas Cook routes to allow Thomas Cook customers to book tickets independently to return to the UK in a reasonable timeframe. The Department for Transport also concluded, based on CAA advice, that it would be difficult to discriminate between ATOL and non-ATOL customers at overseas airports so a repatriation of ATOL customers only was not possible. Given the number of customers in some locations, the government considered there were also security and safety risks for some UK citizens (paragraphs 2.5 and 2.11).

22 While planning for the repatriation, more than 120,000 customers were expected to need repatriating, but the exact number and locations of customers was not known until close to the collapse of Thomas Cook. Thomas Cook had been unwilling to provide access to its systems until close to the date of insolvency, so the Department for Transport and the CAA had to conduct the initial stages of planning for the potential repatriation using historical data, estimating that between 120,000 and 175,000 people could need repatriating (paragraphs 2.5 and 2.6).

23 In advance of Thomas Cook's collapse, it was not certain that enough commercial aircraft would be available to repatriate customers given the number required and the time of year. Initially, as it was peak holiday season and the Boeing 737 MAX fleet had been grounded for safety reasons since March 2019, availability of suitable aircraft for the repatriation was likely to be limited. The Department for Transport explored using the Ministry of Defence's Voyager aircraft that would have been suitable for the repatriation. However, the Department for Transport was advised by the Ministry of Defence that it would cost approximately £27 million for three aircraft for one month. This figure did not include additional costs that may be incurred, such as fuelling, pilots and landing costs. The Department for Transport concluded that this option was not cost-effective and pursued alternative options. When the CAA went to secure aircraft from the market it was able to secure 150 aircraft from 50 partners through a combination of existing call-off contracts and the open market (paragraphs 2.5, 2.7, 2.9 and 2.12).

24 Between 23 September and 7 October 2019, the Department for Transport and the CAA estimate that 94% of customers flew back to the UK on their original scheduled date. The CAA completed 746 flights repatriating more than 140,000 customers from 54 airports in 18 countries. As well as repatriating Thomas Cook customers, the government also agreed to repatriate some Thomas Cook staff where spare seats were available on repatriation flights. Civil servants from the Foreign & Commonwealth Office and the government's Surge and Rapid Response Team provided support alongside the CAA's contracted passenger handlers to Thomas Cook passengers at overseas airports, for example, by providing information on flights. The Department for Transport also provided a travel booking company to assist passengers with information requests (paragraphs 2.15 and 2.16, and Figure 5).

The government's preparedness for the Thomas Cook collapse

25 The government had not had time to implement any recommendations from the Airline Insolvency Review, which followed the collapse of Monarch. However, the Department for Transport told us the government and the CAA used their experience of the Monarch repatriation and the recommendations of the Airline Insolvency Review to plan for the collapse of Thomas Cook. Following Monarch's collapse in October 2017, the Secretary of State for Transport set up the Airline Insolvency Review to look at consumer protection in the event of an airline or travel company becoming insolvent. The review published its final report in May 2019 and recommended a flight protection scheme to cover the cost of future collapses and to create a legal route to allow failed airlines to "Keep the Fleet Flying" long enough to bring people home. The review noted that the recommendations could take five years to implement fully. Thomas Cook collapsed before the recommendations could be implemented given the requirements for consultation and primary legislation (paragraphs 2.10, 3.4 and 3.5).

26 In October 2019 the government announced plans for new legislation to address airline insolvency. These plans were reconfirmed by the Queen's Speech in December 2019. The legislation will, among other things, aim to introduce a special administration regime for airlines to support passengers' needs post-insolvency and to keep their aircraft fleet flying long enough for passengers to be repatriated. The legislation also aims to improve protection for consumers and the interests of the taxpayer (paragraph 3.6).

27 From September 2018, the CAA had started to monitor Thomas Cook closely. The CAA routinely monitors the financial health of ATOL holders and in September 2018 enhanced its monitoring of Thomas Cook due to its worsening financial performance. By June 2019 the CAA was in close contact with the company. Several government bodies were also separately monitoring Thomas Cook including the Department for Transport, Department for Business, Energy & Industrial Strategy, UK Government Investments and The Pensions Regulator (paragraph 3.1 and Figure 6).

28 The Department for Transport started contingency planning with the CAA in April 2019. Due to increasing concerns about Thomas Cook, from April 2019 the Department for Transport began to work with the CAA and UK Government Investments on identifying potential trigger points for Thomas Cook's collapse and contingency planning for such an event. Due to the sensitive nature of the issue, before July 2019, departments were working on their own plans either for repatriation or for the impacts of insolvency but were not working across government. In July 2019, the Department for Transport began to engage with other government departments and set up a cross-government steering board focused on preparations for repatriation. This board included the Cabinet Office, HM Treasury, UK Government Investments and the Foreign & Commonwealth Office, with a cross-government ministerial coordination meeting held on 17 September 2019 (paragraph 3.1 and Figure 6).

Part One

The actual and potential costs to government

1.1 This part of the report sets out the role and responsibilities of the government departments and other public sector organisations in responding to the collapse of Thomas Cook. It also sets out the actual and potential costs to government of its response.

The government's role in responding to the collapse

1.2 At least 14 public organisations, including at least nine government departments have been involved in responding to the collapse of Thomas Cook. **Figure 2** sets out the roles and responsibilities of the organisations. The government responded to the collapse in two main ways by:

- supporting the repatriation of Thomas Cook customers from overseas. The Civil Aviation Authority (CAA) organised and carried out the repatriation with the Department for Transport leading cross-government support including from the Foreign & Commonwealth Office; and
- dealing with the insolvency of Thomas Cook and its impacts. For example, the Department for Business, Energy & Industrial Strategy and the Department for Work & Pensions supported the Thomas Cook staff who were made redundant.

1.3 **Figure 3** on pages 18 and 19 sets out all the actual and expected costs of the collapse of Thomas Cook. The government will not be meeting all the costs, but there are two key areas where the government is or could be exposed. These are:

- the costs of the repatriation; and
- the actual and potential costs of dealing with Thomas Cook's insolvency and its impacts, such as redundancy payments and the costs of the Official Receiver.

1.4 The full cost of the government's response to the collapse of Thomas Cook may never be known in full as, for example, the time spent by civil servants working on the response is unlikely to be accounted for.

1.5 In the sections below, we describe and set out the actual and potential costs of the collapse of Thomas Cook to government in more detail.

Figure 2

Roles and responsibilities of public sector organisations in responding to the collapse of Thomas Cook

At least 14 organisations from the public sector were involved in repatriating Thomas Cook customers and dealing with the insolvency and its impacts

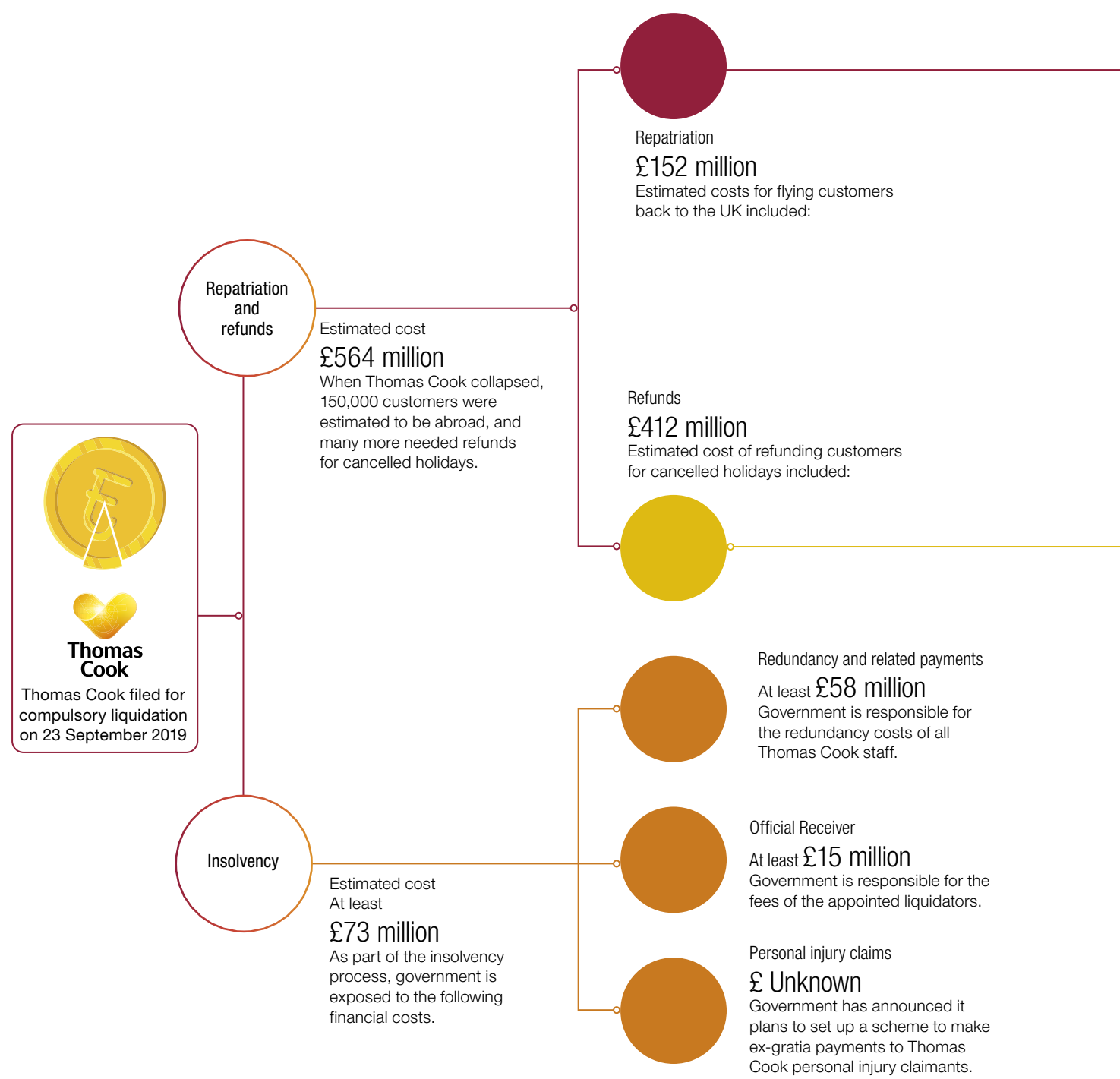
Department for Transport	Led the cross-government response on repatriation.
Civil Aviation Authority (CAA)	Organised and led the repatriation operations, with support from the government.
Air Travel Trust Fund	Administered by the Civil Aviation Authority. The fund is being used to pay for the costs of repatriation and refunds to Thomas Cook customers who were protected by the Air Travel Organiser's Licence scheme.
UK Government Investments	Provided commercial advice on financial assistance to Thomas Cook and repatriation options.
HM Treasury	Approved government spending on repatriation and supported on contingency planning.
Cabinet Office	<ul style="list-style-type: none"> • Provided secretarial support as part of cross-government engagement and contingency planning. • Enabled the procurement of external financial and legal advisors.
Foreign & Commonwealth Office	Provided staff on the ground and consular support overseas during the repatriation and coordinated overseas activities and communications.
HM Revenue & Customs	Provided staff on the ground overseas during the repatriation.
Department for Business, Energy & Industrial Strategy	<ul style="list-style-type: none"> • Prior to the collapse of Thomas Cook, advised on legal and delivery risks of contingency options. • Following the collapse, is responsible for supporting former Thomas Cook employees together with the Department for Work & Pensions, regional recovery, and the set-up of a scheme to make ex-gratia payments to Thomas Cook personal injury claimants.
The Insolvency Service	Appointed as the Official Receiver and the liquidator for Thomas Cook and supported government to understand the role the official receiver would play should Thomas Cook enter compulsory liquidation.
Ministry of Defence	Explored whether more flight capacity could have been provided using the existing Ministry of Defence fleet.
Home Office/UK Border Force	Coordinated the immigration response in the UK and ensured resources at the border.
Ministry of Housing, Communities & Local Government	Coordinated local support to returning Thomas Cook customers.
Department for Work & Pensions	Provided support to former Thomas Cook employees together with the Department for Business, Energy & Industrial Strategy.
The Pensions Regulator	Provides advice to the trustees of the Thomas Cook Pension Plan and negotiates with the company to ensure protection of pension benefits for Thomas Cook employees.

Note

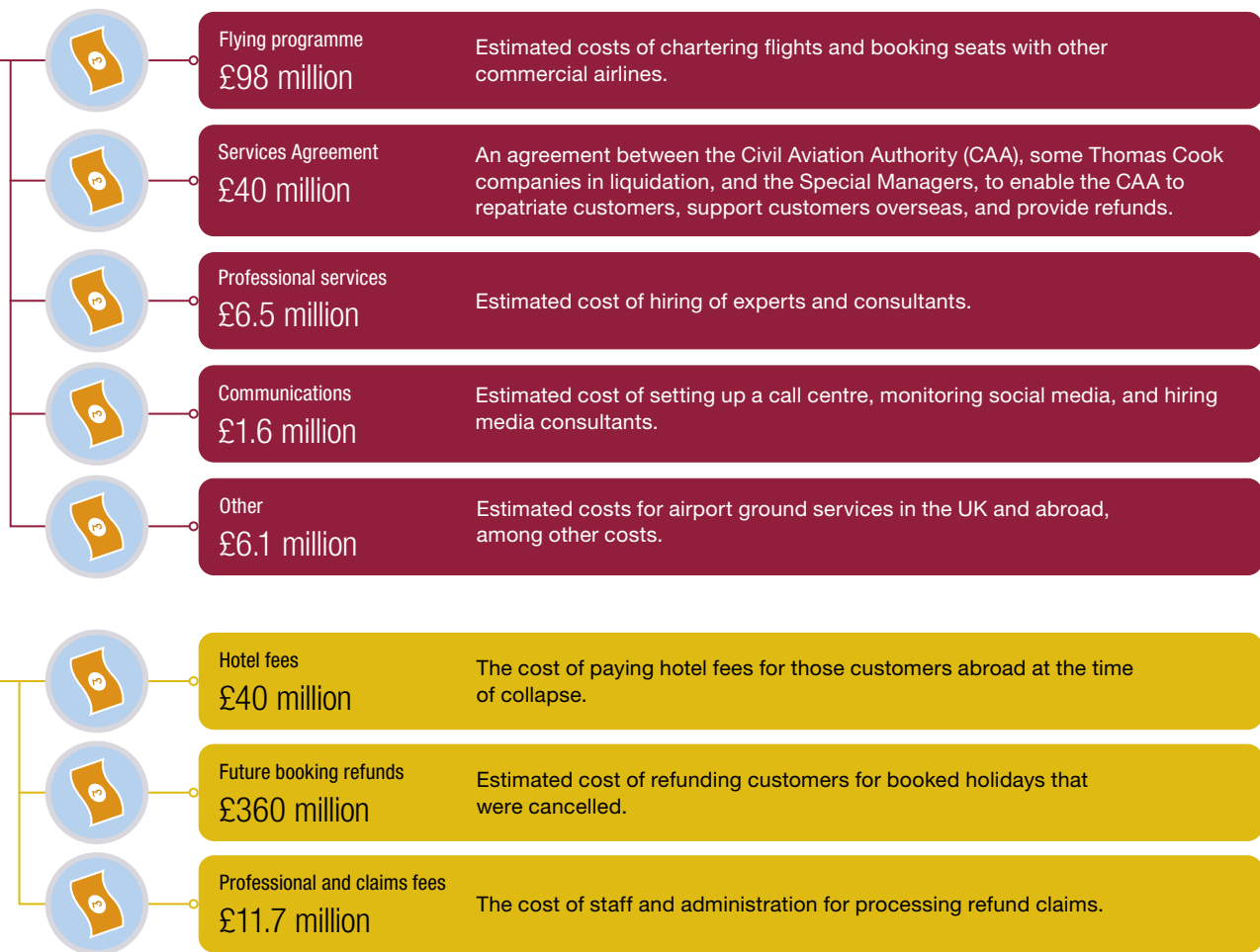
- 1 The Surge and Rapid Response Team, based within HM Revenue & Customs, supports any government department or agency to manage predictable annual peaks in demand, and to respond to unexpected crises within the scope of the Operational Delivery Profession. The Operational Delivery Profession includes all civil servants who deal directly with UK citizens or business, or those who support them directly.

Figure 3
The costs arising from the collapse of Thomas Cook

The government is exposed to two main areas of costs related to the repatriation and the insolvency process



Note
1 Totals may not sum due to rounding.



- Shared between government and the Air Travel Trust Fund
- Air Travel Trust Fund, administered by the Civil Aviation Authority
- Government

The costs to government for the repatriation

The cost of repatriation and refunds

1.6 Following the collapse of Thomas Cook at 2 am on 23 September 2019, an estimated 150,000 Thomas Cook customers were abroad. Normally, only customers whose trips were covered by the Air Travel Organiser's Licence (ATOL) scheme would have been eligible for support from the Air Travel Trust Fund (ATTF), but not customers without ATOL protection (Figure 1). Based on advice from the CAA, the Department for Transport instructed the CAA to repatriate all Thomas Cook customers, regardless of their ATOL protection status and is paying for the costs of repatriating non-ATOL-protected customers.

1.7 The CAA has estimated the total cost for repatriating and refunding Thomas Cook customers will be £564 million as shown in Figure 3, of which:

- an estimated £412 million relates to refunds for customers with ATOL protection who had not yet started their holidays, paying for hotels for customers on package holidays at the time of the collapse and professional fees associated with processing those payments; and
- an estimated £152 million for the repatriation of all Thomas Cook customers, and some staff, including the cost of flights and keeping parts of Thomas Cook running to support the repatriation.

How the costs of the repatriation and refunds will be funded

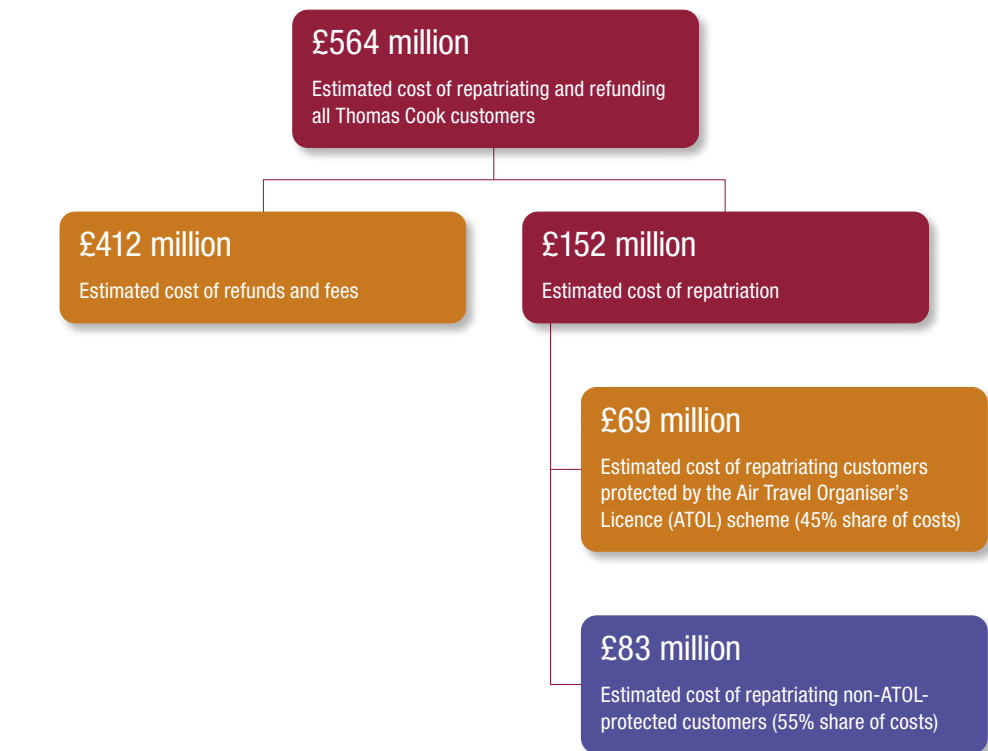
1.8 The £564 million cost of repatriating and refunding Thomas Cook customers will be met from the ATTF and the Department for Transport (**Figure 4**).

- The estimated £412 million costs of refunds for customers with ATOL protection who had not yet started their holidays, paying for hotels for customers on package holidays at the time of the collapse and professional fees associated with processing those payments, will be paid entirely from the ATTF.
- The estimated £152 million cost of repatriation will be split between the ATTF and the Department for Transport. Government is reimbursing the ATTF for the costs of repatriating non-ATOL-protected customers. The Department for Transport is expecting to contribute £83 million (55%) towards the estimated £152 million total cost of repatriation.

Figure 4

The estimated £564 million cost of the repatriation and refunds will be funded by the Air Travel Trust Fund (ATTF) and the Department for Transport

The Department for Transport will pay an estimated £83 million and the ATTF will cover the estimated remaining £481 million



- Estimated costs shared between the Department for Transport and the ATTF
- Estimated cost to the ATTF
- Estimated cost to the Department for Transport

Notes

- 1 Travel companies holding an Air Travel Organiser's Licence (ATOL) pay £2.50 per customer into the ATTF, which is then used to finance customers who need repatriating or refunding when an ATOL-registered travel company enters insolvency.
- 2 The ATTF is administered by the Civil Aviation Authority.

Source: Department for Transport

1.9 In September 2019, Thomas Cook provided the CAA with details of the estimated 150,000 customers due to return to the UK. This information was used to plan the repatriation and estimate the proportion of customers that did not have ATOL protection at 40%. This meant the Department for Transport would pay 40% of repatriation costs because it had instructed the CAA to repatriate non-ATOL-protected customers. In January 2020, the CAA received actual booking data and it concluded that 55% of the 150,000 customers abroad at the time were not ATOL-protected. The Department for Transport became aware of this change in February 2020. The Department for Transport will now pay 55% of repatriation costs, £22 million more than was expected before February 2020.

1.10 In total, the ATTF is responsible for meeting an estimated £481 million (£412 million of refunds and other costs, and £69 million for the repatriation) as shown in Figure 4.

Why the costs could change

1.11 The repatriation costs could change for the Department for Transport and the ATTF because:

- according to the CAA, it may be some months before all costs are finalised as it is still receiving invoices for leasing planes, ground-handling charges and other services; and
- the calculation of the final cost to the taxpayer of repatriating Thomas Cook customers will depend on the outcome of the administration process, which is not due to conclude until October 2020.

1.12 The cost to the ATTF of refunding Thomas Cook customers could also change. As at 8 January 2020, the ATTF had received 330,000 claims for refunds from Thomas Cook customers whose holidays had been cancelled. By then:

- 320,000 claims had been settled at a value of more than £310 million; and
- 10,000 claims remained to be settled.

1.13 In most cases, the CAA reported the 10,000 outstanding claims had taken longer to process because the details entered online did not exactly match Thomas Cook's booking records, in some cases due to Thomas Cook's incomplete or inaccurate data. The CAA also reported that, in addition to the 10,000 claims that remained to be settled, it estimated that there were still thousands of forward bookings with Thomas Cook that it had not yet received claims for.

Recovering the costs of repatriation to the government

1.14 Without intervention by the government, other organisations would have been liable for costs associated with their obligations to Thomas Cook customers. Travel companies selling package holidays with a Thomas Cook flight had obligations under the ATOL regulations to replace the insolvent part of the holiday and pay any additional costs. Credit card companies and travel insurers were also potentially liable.

1.15 When seeking to recover its costs from the collapse of Thomas Cook, the Department for Transport used the same approach as when Monarch Airlines Group (Monarch) collapsed in 2017. In the case of the Monarch collapse, to date the Department for Transport has recovered £2.3 million of the £45 million cost to the government.

1.16 Because other organisations would have been liable for costs in the absence of government intervention, in October 2019, the Department for Transport wrote to UK Finance, the Association of British Travel Agents (ABTA) and the Association of British Insurers (ABI) seeking contributions from their members, including card providers, travel insurers and travel companies, towards the costs of repatriating Thomas Cook customers. Possible routes for cost recovery are:

- **Recovery from credit card providers.** Customers can claim a refund from their credit card provider, under Section 75 of the Consumer Credit Act, if there is a breach of contract. Without government intervention, credit card providers could have been liable for the flight costs and any consequential costs of non-ATOL-protected Thomas Cook customers. In the case of Monarch, the Department for Transport recovered £2.1 million from credit card providers.
- **Recovery from debit card providers.** Customers paying by debit card may be able to make a chargeback claim in the event of the supplier defaulting. This will be limited to the original transaction amount. Unlike Section 75 of the Consumer Credit Act, this is not a formal legal protection. For those repatriated on a CAA flight, similar arguments apply around the bank or card companies' exposure in the absence of intervention by the government. However, as chargeback is offered at the companies' discretion, the case for the government recovering costs from debit card companies is weaker. In the case of Monarch, the government did not recover any costs from debit card providers.
- **Recovery from travel insurance.** The Airline Insolvency Review found that only half of travel insurance policies include cover for airline insolvency. Due to a lack of data on the insurance companies involved and level of cover of customers, no recoveries were made following the collapse of Monarch.
- **Recovery from ATOL sharers (via ABTA).** An estimated 15% of Thomas Cook customers had ATOL protection from other travel companies selling package holidays that included Thomas Cook flights (for example, TUI). The Department for Transport is seeking to recover costs from these travel companies. In the case of Monarch, the government recovered £0.2 million from the largest tour operators.

1.17 Non-ATOL-protected customers who were repatriated by the government, in theory, could have also claimed a full refund for the cost of their original Thomas Cook flight from their credit card firm. However, UK Finance has publicly rejected the possibility of this happening.

The government's exposure if another ATOL holder fails

1.18 The ATTF has not yet published its accounts for 2018-19. In its 2017-18 accounts, the most recently published, the ATTF had £642 million of resources available to cover the failure of ATOL holders. This comprised:

- £167 million cash and liquid resources;
- £400 million insurance cover that provides the ATTF with access to funds in the event of ATOL holder failures;² and
- £75 million in borrowing facilities.

1.19 In the five years from 2013-14 to 2017-18 the average annual call on the ATTF's resources has been £10 million. In the case of Thomas Cook the call on the ATTF's resources is estimated to be £481 million. In January 2020 the CAA announced that the ATTF had paid out £310 million so far.

1.20 The scale of the collapse of Thomas Cook represents a substantially larger draw on the ATTF than has been previously experienced. In the case of Monarch in 2017, the call on the ATTF's resources had been £16 million.³ The CAA told us that it is likely that after all valid claims and expenses arising from the collapse of Thomas Cook have been met, there will be relatively limited resources left in the ATTF, although the CAA currently expects the ATTF to remain in surplus. The ATTF's income depends on ATOL Protection Contributions when customers book a holiday with an ATOL holder. However, the CAA told us that an unusually high number or scale of ATOL holder failures will cost more to manage than the resources available in the ATTF.

1.21 The trustees of ATTF have requested assurances from the Department for Transport that should their resources become insufficient, the government would act to rectify the situation. The government has agreed to stand behind the ATTF in the event of a shortfall.

² The ATTF insurance policy provides cover for individual travel companies or groups which each have their own limits on the cover available.

³ The Air Travel Trust annual accounts 2017-18 estimate the total expenditure of the collapse of Monarch to be £33 million. The total call on the ATTF is estimated to be £16 million, with Monarch providing a security of £16 million.

Costs to government arising from the insolvency of Thomas Cook

1.22 The government has a legal obligation to meet the costs of Thomas Cook's insolvency, which we estimate could cost at least £73 million. These costs include:

- at least £58 million – the cost of redundancy and related payments to Thomas Cook's former employees to be paid out of the National Insurance Fund, which is administered by the Insolvency Service; and
- at least £15 million – the cost of the Official Receiver managing the liquidation of Thomas Cook is currently estimated at between £15 million and £23 million. This is being paid for by the Department for Transport.

1.23 At the time of its collapse, Thomas Cook was managing many personal injury claims from customers. Thomas Cook had not insured itself for these claims and it is unlikely that the sale of Thomas Cook assets will be enough to make payments against these claims. The government has announced that it will set up a scheme to make ex-gratia payments to those customers facing the most serious hardship as a result of their injuries or illness. The Department for Business, Energy & Industrial Strategy told us that costs of the scheme are uncertain and will depend on the criteria of the scheme, which will be delivered subject to primary legislation to be passed by Parliament. However, in 2016, Thomas Cook had recorded exposure of £83 million to illness claims and made provisions of £19.9 million for such claims. In 2017 and 2018, the company made provisions for illness claims of £24.4 million and £18 million respectively, although it did not record its exposure to such claims.

1.24 As at 16 December 2019, the Official Receiver estimated Thomas Cook's liabilities at around £9 billion, and asset realisations of between £176 million and £244 million. Assets sold to date include:

- airport landing slots at London Gatwick and Bristol airports to easyJet for £36 million;
- airport landing slots at Manchester, Birmingham and London Stansted airports to Jet2.com for an undisclosed price;
- 555 stores around the UK to Hays Travel for £6 million;
- intellectual property rights;
- subsidiary and joint venture businesses; and
- the collection of currency and cash from retail stores.

1.25 The Thomas Cook Pension Plan is not expected to enter the Pension Protection Fund (PPF) as it is estimated to have enough assets to provide benefits to its members in excess of PPF levels. However, although Thomas Cook staff are expected to receive pension benefits above the level where the Pension Protection Fund would apply, they may not receive the benefits they were expecting in full. The impact on individuals' pensions is not known at this stage.⁴

⁴ On 23 September Thomas Cook pensions entered the PPF assessment process. At the end of the process, the schemes will either transfer into the PPF, which would then be responsible for paying benefits to all members in line with PPF levels of compensation or, if funding levels are deemed to be sufficiently high, the schemes may be able to secure benefits at or in excess of PPF levels through an insurer.

Part Two

The repatriation

2.1 Between 23 September and 7 October 2019, the Civil Aviation Authority (CAA) repatriated more than 140,000 Thomas Cook customers, out of 150,000 customers estimated to be abroad at the time of the collapse. Not all Thomas Cook customers abroad at the time of the collapse were repatriated as some may have chosen to organise their own travel back to the UK. The CAA did not operate repatriation flights from all overseas locations. In the locations where the CAA did not operate repatriation flights, seats on existing scheduled flights were made available to Thomas Cook customers free of charge. The CAA administers the Air Travel Organiser's Licence (ATOL) scheme, which is funded by the Air Travel Trust Fund (ATTF). Only those customers who have ATOL protection are eligible for assistance from the ATOL scheme if their travel company fails. Normally, the scheme makes arrangements to repatriate only ATOL-protected customers. However, the government instructed the CAA to repatriate all Thomas Cook customers regardless of whether they were ATOL-protected or not.

2.2 The Department for Transport led the cross-government response to ensure that the CAA had the resources and support required to run the operation. At least 11 public bodies were involved in supporting the repatriation, including civil servants from the Foreign & Commonwealth Office and the government's Surge and Rapid Response Team based in HM Revenue & Customs (Figure 2).⁵

⁵ While the team is based within HM Revenue & Customs, the Surge and Rapid Response Team supports any government department or agency to manage predictable annual peaks in demand, and to respond to unexpected crises within the scope of the Operational Delivery Profession. The Operational Delivery Profession includes all civil servants who deal directly with UK citizens or business, or those who support them directly.

The government's decision to repatriate

2.3 Prior to Thomas Cook going into liquidation, the government was planning for the possibility of a collapse (Part Three, paragraph 3.1). The Department for Transport, with the CAA and other government departments, identified a number of options for responding to the potential collapse of Thomas Cook. The three main options included:

- **Option One**

Do nothing. There was no legal requirement for the government to intervene. Thomas Cook customers could have self-repatriated using commercial flights, and ATOL-protected customers would have been able to claim any costs through the ATOL scheme later.

- **Option Two**

A managed repatriation using a mix of chartered commercial aircraft and self-repatriation. The CAA could repatriate customers using a mix of chartered non-Thomas Cook aircraft combined with self-repatriation using scheduled flights where possible.

- **Option Three**

Keep the fleet flying. The CAA could use the Thomas Cook fleet of aircraft for repatriation. This decision would have required the agreement of the Official Receiver, while acting as liquidator, to maintain additional key elements of Thomas Cook operations to keep its planes flying.

The Department for Transport chose Option Two, to repatriate customers using a mix of commercial aircraft and self-repatriation if sufficient aircraft were not available. On 17 September 2019, HM Treasury and the Prime Minister approved this option.

2.4 On 18 September 2019, the Department for Transport instructed the CAA to prepare for a full repatriation using a mix of commercial aircraft and self-repatriation if sufficient aircraft were not available. The Secretary of State for Transport confirmed he would reimburse the CAA for any costs incurred up until 31 December 2019, such as for chartering aircraft, whether Thomas Cook ultimately collapsed or not, proportionate to the share of non-ATOL-protected customers. The Department for Transport entered into an agreement with the CAA, allowing the CAA to take all actions required to enable a successful repatriation. This agreement included pre-securing commercial aircraft and procuring services from key Thomas Cook suppliers, while ensuring they were carried out cost-effectively. To assure itself, the Department for Transport requested that the CAA provide evidence of its incurred costs to the Secretary of State for Transport.

2.5 In deciding on its best option, the government considered:

- the potential number of Thomas Cook customers requiring flights home to the UK;
- available aircraft capacity within the leasing market; and
- the practicalities of identifying ATOL and non-ATOL-customers.

Potential number of passengers

2.6 Due to Thomas Cook being unwilling to provide access to its systems until close to the liquidation date, the government and the CAA had to conduct the initial stages of planning for the potential repatriation using historical data from the previous year. Between September and October 2019, the Department for Transport estimated that between 120,000 and 175,000 people would need repatriating.

Airline capacity

2.7 The Department for Transport's analysis showed that, without the government's intervention, there was not enough capacity in the leasing market to allow all customers who flew out from the UK to organise their own way back without facing significant disruption and cost. Aircraft availability was restricted due to the peak holiday season and the grounding of the Boeing 737 MAX fleet in March 2019.

2.8 The Department for Transport concluded that using Thomas Cook's aircraft was a risky and costly option. This decision would have required the agreement of the Official Receiver, while acting as liquidator, to maintain additional key elements of Thomas Cook operations to keep its planes flying. The Airline Insolvency Review concluded that the UK does not currently have the necessary mechanisms in place to enable an orderly repatriation using the fleet of an insolvent airline.⁶ Some of the challenges associated with keeping the fleet flying were:

- the office holder in an insolvency proceeding would need to agree to continue operating the airline, which would go beyond its normal duties and against its statutory obligation to deliver the maximum value to creditors. To realise this option, the government would need to assure the creditors that they would not lose out as a result of the repatriation and protect the office holder against any legal risks resulting from operating the airline;
- lessors of Thomas Cook aircraft and other critical suppliers would need to cooperate to continue to provide services to Thomas Cook in liquidation; and
- key Thomas Cook staff would need to be retained but could have been unwilling to continue working.

⁶ Department for Transport, *Airline Insolvency Review: final report*, May 2019, available at <https://www.gov.uk/government/publications/airline-insolvency-review-final-report>.

2.9 The Ministry of Defence operates a fleet of 14 Voyager Air Transport planes under a Public Finance Initiative (PFI) with Air Tanker Ltd, suitable for the repatriation. However, nine of the aircraft were on priority national security tasks at the time of Thomas Cook's collapse and could not be made available without impacting on the delivery of these tasks. The remaining five aircraft were being used in commercial operations by private companies, two of which were unavailable at the time due to maintenance. Therefore, only three aircraft could potentially be made available to the Department for Transport for repatriation purposes. The Department for Transport was advised that illustrative costs of approximately £27 million would be incurred for the provision of three aircraft for a period of one month. This figure did not include additional costs that may be incurred, such as fuelling, pilots and landing costs. The Department for Transport concluded that this option was not cost-effective and pursued alternative options.

2.10 From its experience of repatriating the customers of Monarch Airlines Group (Monarch) in 2017, the CAA had access to call-off contracts with other airlines. It was able to use these contracts and leasing arrangements to contract commercial planes to stand ready for the insolvency event at repatriation locations. The CAA told us that if the insolvency had been earlier in summer there may not have been enough aircraft.

ATOL and non-ATOL customers

2.11 Only ATOL-protected customers can be assisted by the ATOL scheme, which is administered by the CAA. Based on advice from the CAA, the Department for Transport considered that in practice it would not be operationally possible to turn away non-ATOL-protected Thomas Cook customers arriving at overseas airports for flights home. The Department for Transport told us that in some locations, due to the number of Thomas Cook customers, the government considered that there were security and safety risks for UK citizens. For customers returning to the UK, the Department's priority was to ensure customers in these locations were repatriated as close as possible to their intended date of travel and that support in holiday resorts was offered. Once customers arrived in the UK, for those who did not arrive at their original airport, the operation included coach transfers back to their original airport.

The repatriation

2.12 By September 2019, in advance of Thomas Cook collapsing, the CAA confirmed that it was likely to be able to secure enough aircraft on the market to repatriate customers in most locations. In total, the CAA secured 150 aircraft from 50 partners around the world. The CAA repatriated more than 140,000 customers, and approximately 10,000 customers may have chosen not to return to the UK at that time or organised their own travel back.

2.13 To facilitate the repatriation, the Department for Transport had to indemnify the Official Receiver against any liabilities arising from any claims brought against him as he was being asked to do something which would not normally be done in a liquidation, which was to keep part of Thomas Cook running to support the repatriation. However, this did not include support to keep Thomas Cook's fleet flying as covered in paragraph 2.8. The Department for Transport is underwriting the cost of the liquidation as the expenses are unlikely to be covered by asset realisations, which includes the liquidation costs of assisting with the repatriation. The costs for assisting with the repatriation are set out in a separate agreement with the CAA, the Special Managers, and a number of Thomas Cook companies.⁷ The Department for Transport is meeting 55% of these costs as part of its agreement with the CAA to pay for the repatriation of customers not protected by ATOL. Some of these costs include salaries for Thomas Cook employees retained to assist with the repatriation and the liquidation, fees for the Special Managers, legal advice, professional costs and operational expenditure.

2.14 In addition, to repatriate all Thomas Cook customers, the Department for Transport is meeting the cost of non-ATOL-protected customers as the ATOL scheme provides assistance only to ATOL-protected customers.

2.15 Between 23 September 2019 and 7 October 2019 (**Figure 5** on pages 32, 33 and 34):

- 94% of customers flew back to the UK on their original scheduled date;
- the CAA completed 746 flights repatriating more than 140,000 customers from 54 airports in 18 countries; and
- as well as providing flights to Thomas Cook customers, the government also agreed to repatriate Thomas Cook staff where there was spare capacity on repatriation flights.

2.16 Alongside the CAA's contracted passenger handlers, the government provided ground support at overseas airports from the Foreign & Commonwealth Office and the government's Surge and Rapid Response Team (Figure 2). The Department for Transport also provided a travel booking company to assist customers with information requests and bookings.

⁷ On 23 September 2019, the court appointed the Official Receiver as liquidator, and the Special Managers to assist the Official Receiver with the liquidation.

Figure 5
The repatriation of Thomas Cook customers

Thomas Cook customers were repatriated from 54 airports across 18 countries between 23 September 2019 and 7 October 2019



Total estimated number of customers repatriated

More than 140,000



Total number of airports customers were repatriated from

54



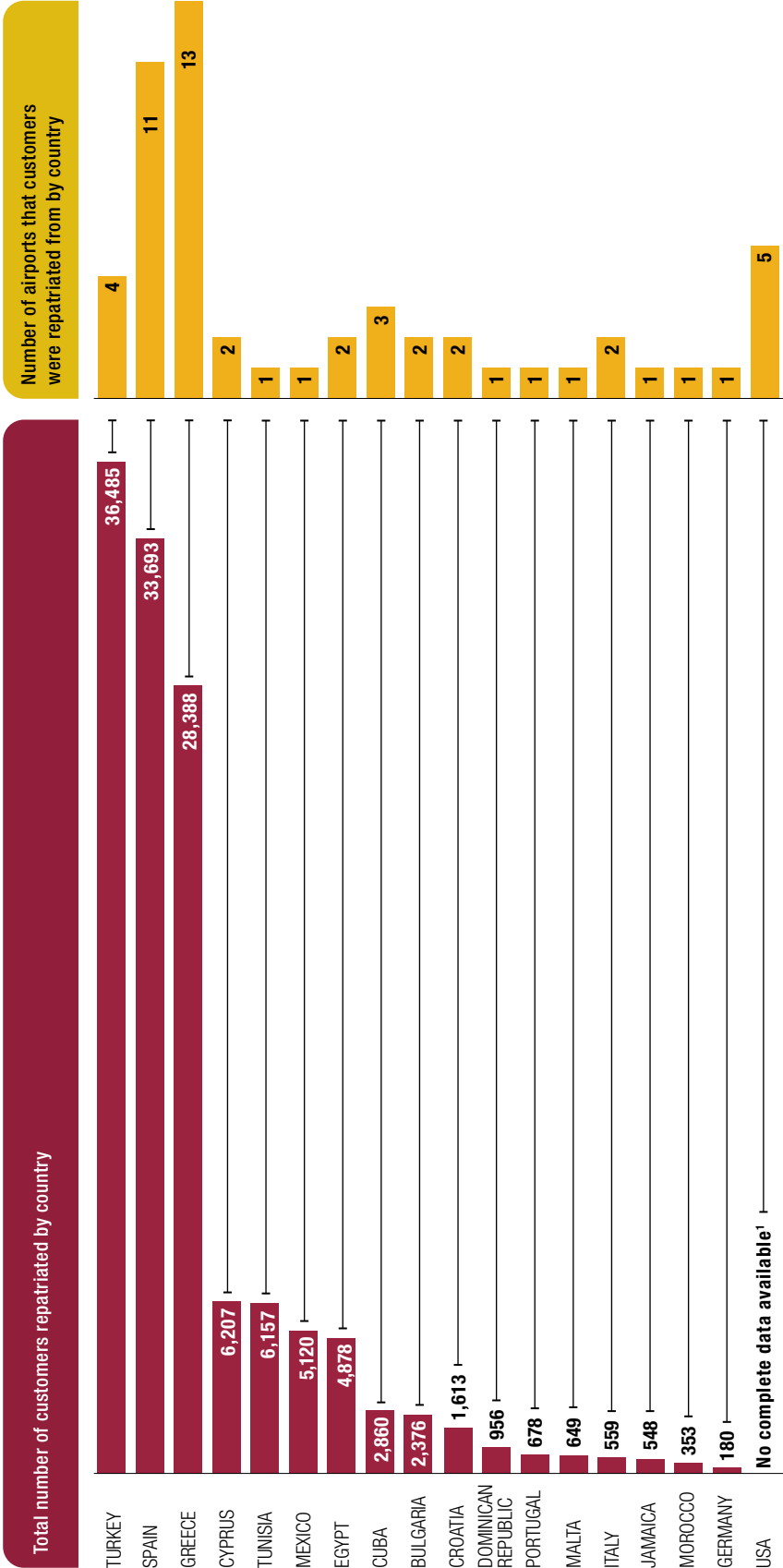
Total number of countries customers were repatriated from

18



Figure 5 continued
The repatriation of Thomas Cook customers

Thomas Cook customers were repatriated from 54 airports across 18 countries between 23 September 2019 and 7 October 2019



Note

1 In the United States of America, the Civil Aviation Authority booked some customers onto other commercial flights that had spare capacity. Data for these passengers are not available.

Part Three

The government's preparedness for the collapse of Thomas Cook

Monitoring Thomas Cook

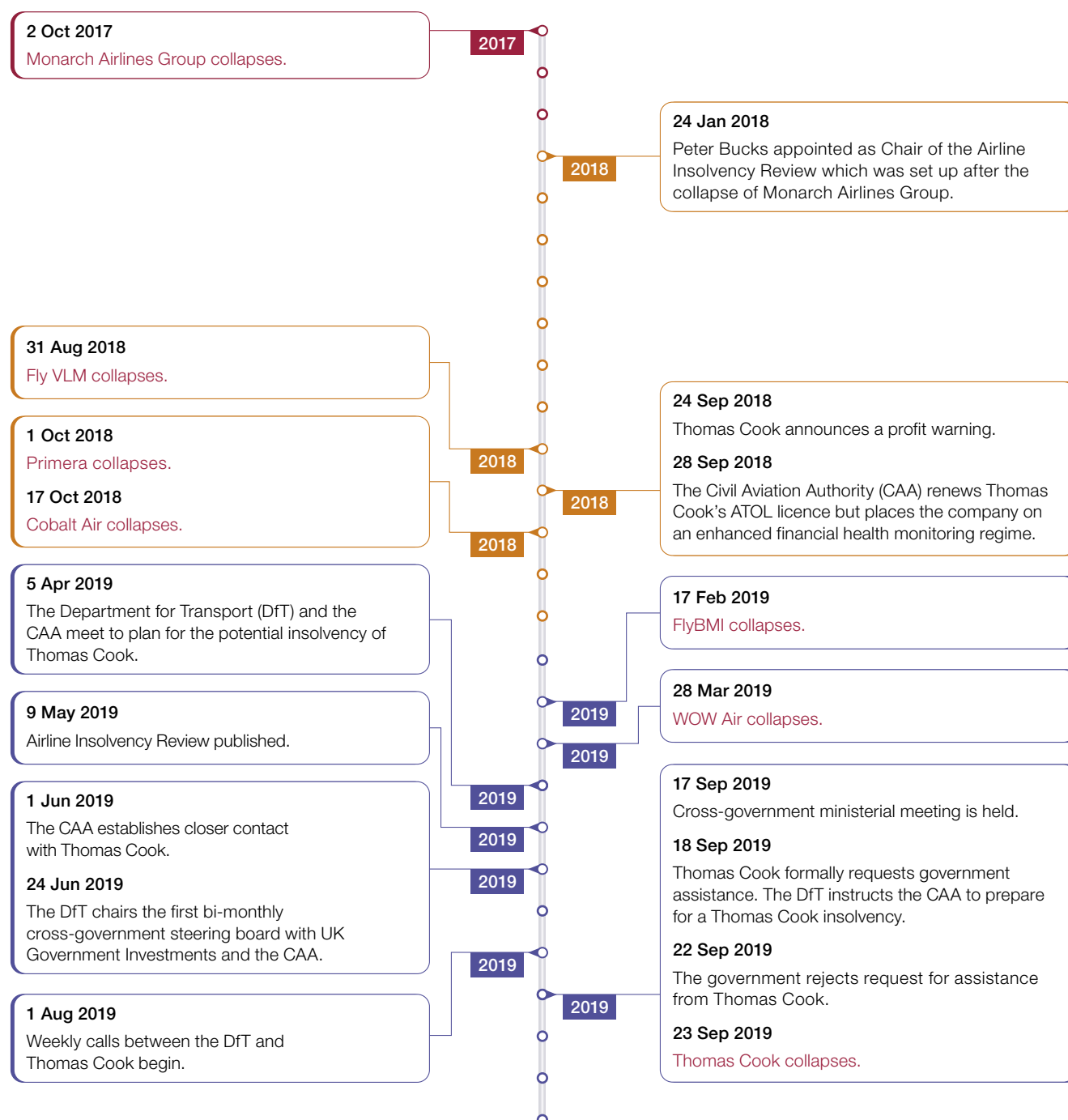
3.1 In October 2017 Monarch Airlines Group (Monarch) collapsed and the government supported a repatriation of its customers. Following this event, as shown in **Figure 6**, overleaf, the Secretary of State for Transport commissioned a review of airline insolvency. Figure 6 also shows the key events from this point up to the collapse of Thomas Cook on 23 September 2019:

- In September 2018, Thomas Cook Group issued a profit warning. Over that month its share price had fallen 30%. The Civil Aviation Authority (CAA), which routinely monitors the financial health of Air Travel Organiser's Licence (ATOL) holders, enhanced its monitoring of Thomas Cook due to its worsening financial performance.
- From April 2019, due to increasing concerns about Thomas Cook, the Department for Transport began to work with the CAA and UK Government Investments on identifying potential trigger points for Thomas Cook's collapse and contingency planning for such an event.
- In May 2019, Thomas Cook posted a pre-tax loss of £1.5 billion and tried to increase its credit facilities. Continued efforts by the group to attract additional funding failed.
- In July 2019, the Department for Transport set up a cross-government steering board, including the Cabinet Office, UK Government Investments and the Foreign & Commonwealth Office. Due to the sensitive nature of the issue, before July 2019, departments were working on their own plans either for repatriation or for the impacts of insolvency but were not working across government.
- On 17 September 2019, a cross-government ministerial coordination meeting was held.
- On 23 September 2019 at 2 am Thomas Cook's directors filed for compulsory liquidation.

Figure 6

Timeline leading up to the collapse of Thomas Cook, September 2017 to September 2019

Thomas Cook collapsed on 23 September 2019

**Note**

- 1 Travel companies holding an Air Travel Organiser's Licence (ATOL) pay £2.50 per passenger into the Air Travel Trust Fund, which is then used to finance customers who need repatriating or refunding when an ATOL-registered travel company enters insolvency.

Source: The Department for Transport and the National Audit Office

3.2 As well as repatriating Thomas Cook customers following the collapse of Thomas Cook, the government provided support to Thomas Cook employees and suppliers. The Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Work & Pensions (DWP) were involved in the preparation planning for the Thomas Cook collapse and told us they were ready on 23 September 2019 to support Thomas Cook employees who had lost their jobs, as well as supporting local suppliers affected by the collapse. In particular:

- BEIS and DWP set up a cross-government taskforce to address the impact on employees and local communities. The purpose of the taskforce was to take an overview of support for Thomas Cook employees and for the local economies most affected by the liquidation, with a view to minimising impact and promoting recovery. It looked to ensure existing mechanisms to offer such support and associated governance were working effectively; and
- DWP and the Insolvency Service's Redundancy Payments Service supported Thomas Cook's ex-employees. DWP's Jobcentre Plus rapid response service aimed to help workers get back into employment and engaged with the Insolvency Service and Special Managers. Special arrangements were put in place for UK employees who were owed redundancy and related pay by their insolvent employer. The Redundancy Payments Service in the Insolvency Service pays statutory amounts owed to former employees through the National Insurance Fund. In supporting Thomas Cook's former employees to find new employment, DWP also provided non-standard support including providing funding for pilots to train with new airlines.

Comparison with the collapse of Monarch

3.3 When Monarch collapsed in October 2017, the Department for Transport also requested the CAA to repatriate all customers. **Figure 7** overleaf shows how the two events compared.

Figure 7

The collapse of Thomas Cook compared to Monarch Airlines Group

The scale of the Thomas Cook repatriation was much larger

Thomas Cook	VS	Monarch
23 September 2019	Date declared insolvency	2 October 2017
150,000	Estimated number of customers abroad at the time of collapse	110,000
More than 140,000 ¹	Number of customers repatriated	About 84,000
Estimated £152 million	Total cost of repatriation	Estimated £52.5 million
Estimated £83 million	Cost of repatriation to the government	Estimated £45 million
Approximately 45%	Percentage of customers with Air Travel Organiser's Licence (ATOL) protection	Less than 20%
More than 320,000 ²	Total number of ATOL refund claims	Around 54,000
More than £310 million	Total value of ATOL refund claims	£23 million ³
Short-haul destinations in Europe and North Africa. Long-haul destinations in the United States and the Caribbean	Locations	Short-haul destinations around the Mediterranean
The group had multiple airlines, tour operators, hotels and other entities and joint ventures in multiple jurisdictions. Listed on the UK and German stock markets	Company structure	Scheduled airline with an integrated tour operator, based in the UK. Not listed and largely controlled by a single investment fund

Notes

- 1 The Civil Aviation Authority (CAA) repatriated more than 140,000 Thomas Cook customers. Approximately 10,000 customers may have chosen not to return to the UK at that time or organised their own travel back.
- 2 The number of refunds to Thomas Cook customers is valid as of 8 January 2020. The CAA stated that there were 10,000 remaining in addition to the 320,000 claims received by that date.
- 3 The Air Travel Trust estimates the total expenditure of the collapse to be £33 million. The total call on the Air Travel Trust Fund is estimated to be £16 million, with Monarch providing a security of £16 million.

Airline insolvency legislation

3.4 Following Monarch's collapse in 2017, the Secretary of State for Transport announced the establishment of the independent Airline Insolvency Review. The final report with recommendations was published in May 2019.⁸ The recommendations included:

- setting up a flight protection scheme to cover the cost of future collapses;
- creating a legal route to allow defunct airlines to "Keep the Fleet Flying" long enough to bring people home; and
- improving travellers' awareness of flight and holiday protection.

3.5 The review noted that the recommendations could take five years to implement fully. Thomas Cook collapsed before the recommendations could be implemented given the requirements for consultation and primary legislation.

3.6 In October 2019, the government announced plans to introduce legislation to address airline insolvency. These plans were reconfirmed by the Queen's Speech in December 2019. The legislation will aim to protect passengers in the event of an airline failure by reforming the airline insolvency process. The details of the legislation are being developed but the main elements are:

- the introduction of a special administration regime for airlines to support the passengers' needs post-insolvency and to keep aircraft fleet flying long enough for passengers to be repatriated;
- enhancing the CAA's regulatory powers to improve its oversight of airlines in distress and mitigate the impacts of a future airline failure;
- reforms to airline insolvency, to strike a better balance between strong consumer protection and the interests of taxpayers;
- extending the CAA's remit to apply to the repatriation of both Air Travel Organiser's Licence (ATOL) and non-ATOL-protected customers; and
- establishing and enhancing a repatriation 'toolkit' of mechanisms for companies and passengers, including making it easier for the CAA to grant a Temporary Airline Operating Licence so that an airline can continue repatriating passengers following insolvency.

⁸ Department for Transport, Airline Insolvency Review: final report, May 2019, available at: www.gov.uk/government/publications/airline-insolvency-review-final-report.

Appendix One

Our investigative approach

Scope

1 This report examines how the government responded to the collapse of Thomas Cook. The government instructed the Civil Aviation Authority (CAA) to repatriate all estimated 150,000 Thomas Cook customers abroad at the time of the collapse and supported the CAA in bringing customers back to the UK. The government also had to deal with Thomas Cook's insolvency by, for example, making redundancy and related payments to former Thomas Cook employees and covering the costs of the Official Receiver. This report covers:

- the actual and potential costs to the taxpayer of the collapse of Thomas Cook;
- how the government and the CAA planned and carried out the repatriation; and
- how prepared the government was before the collapse of Thomas Cook.

Methods

2 Our fieldwork took place between November 2019 and February 2020. Data in this report is up to date as at 1 March 2020, unless otherwise stated. We:

- interviewed Department for Transport officials as the lead department for the government's response to understand the timeline and background to the events leading up to the collapse of Thomas Cook and the government's response;
- interviewed CAA personnel to understand its role in planning and carrying out the repatriation and how it worked with government;
- interviewed officials in the Department for Business, Energy & Industrial Strategy; the Foreign & Commonwealth Office; the government's Surge and Rapid Response Team based in HM Revenue & Customs; UK Government Investments; the Insolvency Service; the Cabinet Office; HM Treasury; the Department for Work & Pensions; and the Pensions Regulator;

- reviewed key documents held by the Department for Transport including meeting minutes and briefings relating to the coordination of the government's operational and policy response and the development of contingency planning; and
- reviewed Parliamentary submissions and evidence, including to the Business, Energy & Industrial Strategy Select Committee's inquiry on Thomas Cook that took place in October 2019.

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