



Department for
Business, Energy
& Industrial Strategy

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Dear Rachel,

Responses to questions following the BEIS Select Committee session on the Work of the Department and Thomas Cook

Thank you for your letter following the Committee session on 15 October 2019. I wanted to write you responding to your further queries:

Brexit

As the Government has repeatedly made clear, we stand ready to introduce economic measures to mitigate any short-run disruption from Brexit, support the economy through the transition, and to boost the long-term potential of the UK economy.

The Government has a range of tools available to support businesses through the transition and stands ready to support businesses that are fundamentally viable but may face particular turbulence in the event of no deal.

We continue to monitor and work closely with businesses across the country to help ensure they are fully prepared for when the UK leaves the EU and are actively considering how best to support them in the run up to, or immediately after, Brexit.

The Government has been clear that should the UK leave without a withdrawal agreement, we would support the economy through whatever appropriate action is necessary. I am continuing to work with the Treasury on developing an appropriate package of business support measures in advance of leaving the EU on or before 31 January.

Thomas Cook

Meetings with Ministers and Officials

With regards to the question of Thomas Cook seeking support from the Government, I was first made aware of this on 12 September ahead of a Ministerial meeting on Thomas Cook.

The Department of Transport (DfT) co-ordinated the Government response and was the single Government point of contact for Thomas Cook. BEIS officials worked intensively with officials across Government, including the DfT and UK Government Investments (UKGI) who were in frequent and direct contact with Thomas Cook. The actions BEIS officials took were in-line with our Departmental role of providing technical advice and support to other Departments when faced with this kind of issue.

In relation to the collapse of Thomas Cook, Ministers in this Government (from 24 July onwards) from BEIS, DfT, HMT and FCO had a number of meetings with other Ministers and officials which you can find listed in *Annex A*.

The National Taskforce for Thomas Cook

The National Taskforce was established to bring together major Government, national and local stakeholders to provide oversight of the collective response to the liquidation of Thomas Cook. It looks at the effectiveness of existing support mechanisms to help employees impacted by the liquidation and help local economies to recover, and will also explore the impact of the liquidation on supply chains. The Taskforce is looking to support recovery through 3 workstreams; *Annex B* provides a more detailed outline of the Taskforce's strands of work.

The Taskforce has met four times to date in London (26 September, 23 October), Manchester (02 October) and Peterborough (09 October). The cast list is a comprehensive one, although it is important to note that it has been tailored to the business and location of some of the meetings. A full inventory of the invite list can be found in *Annex C*.

Supporting Employees

Participants of the Taskforce have been instrumental in providing a wide range of support structures for Thomas Cook employees. As of 30 October, some 8,368 employees have been made redundant (from a total of 9,056 employees). The Insolvency Service's Redundancy Payments Service has paid out over £41 million so far to the claimants for arrears in pay, compensatory notice pay, holiday pay accrued, holiday pay not taken, notice worked not paid and redundancy pay.

The Insolvency Service also offers the services of BUPA's Employee Assistance Programme and the Centre for Crisis Psychology (CCP) to Thomas Cook employees. These were previously Thomas Cook initiatives and are being continued by the Official Receiver. They provide clients with private and confidential counselling services designed to reduce the impact of anxiety or stress through face-to-face counselling, direct phone calls with clinicians, and psychological assessments. These services will continue until the end of November 2019.

DWP and Job Centre Plus are continuing to support Thomas Cook employees by facilitating meetings with work coaches who can provide 1-to-1 support with job applications and preparations to re-enter the labour market, as well as supporting them through their Rapid Response Service. The aforementioned work coaches also have mental health training, accredited by Mind, and other products are available from partners including Mind and NHS Wales.

Local Governments, including agencies and business partners, have played a very important role in responding to redundancies in their respective areas by offering help to former employees, including linking them up with prospective employers. For example, local partners in Greater Manchester have established a website that advertises local job fairs and directs individuals to the information they need about their redundancy entitlements and to other support organisations where they can get careers advice and guidance. Greater Manchester LEP are using the European Social Fund (ESF) to fund skill-building initiatives. The Business Board of the Cambridgeshire and Peterborough Combined Authority has developed a package of support for those affected locally which includes a dedicated advice

service. In respect of redundancies at Gatwick, Employ Crawley are providing Information, Advice and Guidance sessions.

I am delighted by how local partners have responded by offering whatever help they can to Thomas Cook employees in their areas.

Financial Status of Thomas Cook

The first port of call for a business facing cashflow issues should be commercial lending, for which UK banks are well capitalised. Thomas Cook's financial problems are well documented. Unfortunately, in a competitive market, some businesses do fail and it is not the Government's role to prop up companies. Whenever Government is asked to step in, in a situation such as this, it has to be mindful of the very real risks to the taxpayer that any funding provided is wasted and funding only postpones rather than prevents insolvency.

As part of its ongoing monitoring of potential economic shocks, the Government has been aware of the long-term challenges facing Thomas Cook, which came close to collapse in 2012. Issues included a poorly-timed expansion on the high street, when its competitors were concentrating on the growing online market. Press reports noted that the court documents identified £1.9 billion of debt¹. I understand that the company may have a number of other very substantial liabilities, which will come to light as part of the liquidation process.

DfT, working with UKGI, had become aware over the past six months that the business had an ever-increasing funding requirement – starting with a need for £300 million in spring this year, rising to £750 million, then £900 million over the summer, and eventually around £1.1 billion by September 2019.

The proposed £900 million deal involving Chinese conglomerate Fosun that eventually fell through indicates the scale of the issues that Thomas Cook faced. In the final week before its collapse, creditors asked for an additional sum of £200 million to enable the company to weather the winter season. The Directors worked with several parties to try and find a solution to fill this funding gap and complete the transaction. This included an approach to Government to support a loan facility of up to £250m; Thomas Cook's Directors wrote to the Government on 18 September 2019 to request financial assistance in the final days before it entered liquidation on 23 September 2019. This was clearly a complex picture, involving multiple parties, attracting serious risks to taxpayers' money were Government to intervene.

I believe this would have led us to exactly the position we are in today – of repatriating tens of thousands of people, yet having spent up to £250 million of taxpayers' money trying to keep the company afloat. Given the financial position of the group, a rescue deal would have been a very poor decision for the taxpayer.

State Aid

As set out above, the key factor in the decision to not provide support to Thomas Cook was value for money for the taxpayer, not because of the State Aid rules.

In principle, short-term rescue aid to a company in difficulty (outside the steel sector) may be granted under the EU "Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty", subject to approval from the European Commission.

¹ <https://www.google.co.uk/amp/s/amp.ft.com/content/65bb5f44-deee-11e9-b112-9624ec9edc59>

Support by Foreign Governments

There has been talk that the Government refused last minute offers made by the Turkish and Spanish to assist in rescuing Thomas Cook. This was a matter for the Directors of Thomas Cook. Policy officials in the Department for Transport were made aware of an indirect approach via the Spanish Ambassador, but no deal was proposed.

I am aware that flights by Thomas Cook's German airline Condor resumed on 24 September 2019 after receiving a bridging loan of €380 million from the German Government. The German airline Condor is a different airline, operating in a different market, and with potentially different commercial aspects. It is therefore a decision for the German authorities whether they agree to support German business with taxpayer loans.

However, Thomas Cook's financial problems were substantial, long-standing and well documented, and Government financial assistance would not have resolved them, as highlighted by the example of Air Berlin which collapsed in 2017. The German Government provided a temporary €150 million bridging loan to allow it to keep flying through the summer; the airline was still wound down within a matter of months.

Costs to the UK Taxpayer

On the question of estimated costs to the UK taxpayer arising from the collapse of Thomas Cook, it is too early at this stage to give a clear summary of total costs, as the liquidation process is yet to be concluded. By way of indicative costs, the repatriation of Thomas Cook customers is expected to be about double the cost of the Monarch repatriation operation in 2017, which was about £40 million. The majority of Thomas Cook passengers were Air Travel Organiser's Licence (ATOL) protected and the costs for repatriating those passengers have been covered by the ATOL scheme.

The Official Receiver's costs for the first three weeks of the liquidation amount to approximately £21m. This includes salaries for employees retained to assist with the repatriation and the liquidation, fees for the Special Managers and legal advice. As the liquidation is on-going, the costs will rise; we will only be able to provide a total, substantiated figure once the process is concluded.

I hope that you and other BEIS Select Committee colleagues find this information useful.



THE RT HON ANDREA LEADSOM MP
Secretary of State for Business, Energy & Industrial Strategy

Annex A

Timelines of discussions and meetings between Department for Transport, Department for Business, Energy and Industrial Strategy, HM Treasury and Foreign Office Ministers and other Officials in relation to the collapse of Thomas Cook:

Department for Transport

Minister/s	Date	Meeting
DfT Secretary of State	25 July 2019	Introductory meeting with Director General for aviation
DfT Secretary of State	31 July 2019	Meeting with Director General for aviation
DfT Secretary of State	6 August 2019	Briefing with DfT Officials on Thomas Cook
DfT Secretary of State	13 August 2019	Introductory meeting with Dame Deirdre Hutton and Richard Moriarty, CAA
Paul Maynard MP, Parliamentary Under Secretary of State	27 August 2019	Briefing with DfT officials on Thomas Cook
Paul Maynard MP, Parliamentary Under Secretary of State	3 September 2019	Briefing with DfT Officials on Thomas Cook
Paul Maynard MP, Parliamentary Under Secretary of State	3 September 2019	Introductory meeting with Richard Moriarty, Civil Aviation Authority (CAA)
Paul Maynard MP, Parliamentary Under Secretary of State	4 September 2019	Briefing with DfT Officials on Thomas Cook
DfT Secretary of State	4 September 2019	Meeting with the Foreign Secretary on Thomas Cook
DfT Secretary of State and Paul Maynard MP, Parliamentary Under Secretary of State	9 September 2019	Briefing with DfT Officials on Thomas Cook
Paul Maynard MP, Parliamentary Under Secretary of State	9 September 2019	Introductory meeting with Director General for aviation
DfT Secretary of State and Paul Maynard MP, Parliamentary Under Secretary of State	9 September 2019	Meeting with Thomas Cook, Peter Fankhauser
DfT Secretary of State	12 September 2019	Meeting with Chief Secretary to the Treasury (CST) on Thomas Cook

DfT Secretary of State	18 September 2019	Briefing with DfT Officials on Thomas Cook
DfT Secretary of State	18 September 2019	Ministerial and Officials meeting on Thomas Cook
DfT Secretary of State	22 September 2019	Briefing with DfT Officials on Thomas Cook
DfT Secretary of State and Paul Maynard MP, Parliamentary Under Secretary of State	22 September 2019	Ministerial and Officials meeting on Thomas Cook
DfT Secretary of State and Paul Maynard MP, Parliamentary Under Secretary of State	23 September 2019	Ministerial and Officials meeting on Thomas Cook
DfT Secretary of State and Paul Maynard MP, Parliamentary Under Secretary of State	24 September 2019	Briefing with DfT Officials on Thomas Cook
Paul Maynard MP, Parliamentary Under Secretary of State	9 October 2019	CCC and Airline Insolvency Review briefing with DfT officials

HMT

Minister/s	Date	Meeting
Chief Secretary to Treasury	10 September 2019	Ministerial briefing on Thomas Cook
Chief Secretary to the Treasury	12 September 2019	Meeting with the DfT Secretary of State on Thomas Cook
Chief Secretary to the Treasury	18 September 2019	Ministerial briefing on Thomas Cook

Department for Business, Energy and Industrial Strategy

Minister/s	Date	Meeting
BEIS Secretary of State	18 September 2019	Ministerial and Officials meeting on Thomas Cook
BEIS Secretary of State, Kelly Tolhurst MP (Minister for Small Business, Consumers and Corporate Responsibility) and Nadhim Zahawi MP (Minister for Business and Industry)	22 September 2019	Meeting with BEIS Officials and Dean Beale, CEO Insolvency Service
BEIS Secretary of State, Kelly Tolhurst (Minister for Small Business, Consumers and Corporate Responsibility) and Nadhim Zahawi MP (Minister for Business and Industry)	22 September 2019	Ministerial and Officials meeting on Thomas Cook

BEIS Secretary of State	23 September 2019	Ministerial and Officials meeting on Thomas Cook
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Foreign Office

Minister/s	Date	Meeting
Foreign Secretary	04 September 2019	Meeting with the DfT Secretary of State on Thomas Cook
Minister Christopher Pincher (Minister for Europe and the Americas)	17 September 2019	Minister briefed by FCO Officials on Thomas Cook
Minister Christopher Pincher (Minister for Europe and the Americas)	18 September 2019	Ad Hoc Ministerial Meeting

Annex B

The Taskforce's three workstreams:

1. The first of these is considering support for employees by drawing together activities of various partners offering direct help, for example: job fairs, assistance with making claims for benefits, help for hardship, advice on starting own business, guidance for employees returning from abroad, distribution of skills matrix with geographical breakdown, awareness of mental health support, availability of employee assistance scheme.
2. The second workstream focuses on regional impact and response, with advice and support available through local partners in Greater Manchester, Peterborough and Cambridgeshire, and the South East (for Gatwick) where job losses are concentrated.
3. The third workstream is considering supply chains affected specifically: airline operations, hospitality, retail, and service industries with work ongoing to assess short term and longer term impacts. Advice for companies in the supply chain is available from local partners and the national gov.uk website.

Annex C

The National Taskforce's invite list:

Central Government:

- Department for Business, Energy and Industrial Strategy
- Department for Work and Pensions
- Ministry of Housing, Communities and Local Government
- Department for Culture, Media and Sport
- Department for Transport
- Northern Ireland Office

Devolved Administrations:

- Welsh Government
- Scottish Government
- Northern Ireland Civil Service

Insolvency Service:

- Official Receiver
- Special Managers – KPMG and AlixPartners

Local Partners:

- Greater Manchester Mayor
- Greater Manchester Combined Authority
- Greater Manchester Chamber of Commerce
- Liverpool City Region Local Enterprise Partnership
- Cheshire and Warrington Local Enterprise Partnership
- Cumbria Local Enterprise Partnership
- Lancashire Enterprise Partnership
- Cambridge and Peterborough Combined Authority
- Peterborough City Council
- Peterborough County Council
- Cambridgeshire and Peterborough Mayor
- Crawley Borough Council
- Coast to Capital Local Enterprise Partnership
- Sussex Chamber of Commerce

Additional Stakeholders:

- UNITE
- TSSA
- ABTA
- Confederation of British Industry
- UKHospitality
- The Growth Company
- Airlines UK
- British Chambers of Commerce
- British Airline Pilots' Association