The mounting human cost of the Thomas Cook collapse

Richard Tyler
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Hundreds of thousands of Thomas Cook customers had their holidays brought to a sudden end when the company was placed in compulsory liquidation in the early hours of Monday morning.

The international scale of the crisis, with devastating economic and social implications, has rapidly become clear. The collapse means that the firm's entire 22,000-strong global workforce have lost their jobs. Some 9,000 of these are employed in the UK, with 6,000 already laid off. The firm was headquartered in Manchester, with 3,000 previously employed in the region.

Many are set to attend a jobs fair at the city's airport next week in the hope of getting work. In addition, the future of hundreds of foreign hotels and other businesses dependent on the travel company for most of their income, along with the jobs of those working there, are in jeopardy.

Boris Johnson's Conservative government had refused a last-minute appeal to provide up to £250 million to keep the British-headquartered company operational as it sought to reach a deal with its creditors and secure new investment. Instead, the Civil Aviation Authority, on behalf of the government, began the largest British repatriation exercise in peacetime to return the firm's UK-based holidaymakers. Of the 150,000 Britons on Thomas Cook packages, by the end of Thursday only just over half, 77,000, had been brought home.

Thomas Cook customers faced not just the end of their holidays and extended delays stranded at airports, many were exploited by airlines out to make a financial killing from their desperate position. Some who had not even travelled yet were forced to pay extortionate prices for replacement flights. One couple, a former coal miner and his wife, originally paid £779 in January for a Thomas Cook flight to New York for next month. This week they had to pay more than £6,000 for a replacement. They had booked to celebrate the 53-year-old husband's recovery from open heart surgery three years ago.

The repatriation, involving hiring aircraft from as far away as America and Malaysia, together with the costs of reimbursing Thomas Cook customers who have paid for future holidays via the industry's ATOL insurance fund, is estimated to be costing over £500 million and could rise to a staggering £1 billion. The vast majority of this will be borne by the taxpayer.

Industry experts anticipate that the ATOL insurance premium, currently £2.50 per person, will have to rise rapidly to at least £10 as the massive payment for the Thomas Cook failure threatens to wipe out the organisation's funds.

Tens of thousands of German tourists who have purchased holidays with Thomas Cook may not fare so well, as the insurance scheme there is capped at €110 million, which is insufficient to reimburse every customer. One estimate is that many will be lucky to receive just 50 percent of what they have paid from the scheme.

In Greece, most of the hotels taking guests for Thomas Cook have not been paid since mid-June. The Greek tourist trade association, Sete, estimates the losses at between €300 and €500 million. Last year, 10 percent of the 30 million holidaying in Greece came with the company, mainly to the islands of Rhodes, Kos, Corfu, Zakynthos and Crete.

Nearly 50 Greek hotels, 26 on the island of Crete alone, may have to close their doors in the coming days, according to Nikos Chalkiadakis, president of Crete's Hotel Owners Association. Thomas Cook had not paid a single hotel with which it contracted on the island since July 15. “It is a massive blow, as big as the finance crisis some years ago,” said Chalkiadakis, adding that “the impact on my business will be considerable since Thomas Cook owes me some €650,000.”

On the island of Cyprus, up to 80 percent of beds in many hotels were sold via Thomas Cook, with businesses owed around €50 million.

The company was also responsible for bringing eight percent of British and 10 percent of German holidaymakers to Turkey—between 600,000 and 700,000 tourists this year. The owner of a small beach-side kiosk selling boat trips and paragliding said, “If hotels shut, the whole infrastructure suffers. Food producers, farmers, laundry and cleaning services, all will get rid of people.”

The alarm is being sounded on the Spanish island of Mallorca, where in 2018 Thomas Cook sold some one million package holidays on the island and neighbouring Ibiza, Menorca and Formentera. It is estimated that hotels on Mallorca alone are owed €100 million.

Hotels may try to re-sell their now empty rooms at cheap prices to recoup some of their losses, but others plan to close early for their winter break. This is not an option for hotels on the Spanish Canary Islands of Tenerife, Gran Canaria, Lanzarote and Fuerteventura, where winter is their main season. British tourists comprise almost a third of the 15.6 million visitors to the Canaries. According to the Canaries hoteliers association, Thomas Cook owes their members up to €160 million.

Documents filed by the liquidators have revealed that the company was in a precarious financial state, with just under £1 million in cash reserves and only £31.2 million in bank reserves. This contrasts with Thomas Cook’s outstanding bills from hotels and other creditors running to £500 million. Former Chief Executive Peter Fankhauser said the company would have “run out of cash by October 4, 2019 and probably earlier.”

Its balance sheet showed a deficit of £3.1 billion, of which £1.9 billion was debt, mainly acquired in a series of mergers and acquisitions that only made matters worse. The company had to sell millions of holidays merely to service its debt and ensure that the banks and hedge funds from which it had borrowed received their return.

The collapse of the company, which has been on the cards since at least 2011, didn’t prevent Fankhauser and his fellow directors from reaping massive financial gains while it was in its death throes.

Executives at Thomas Cook have raked in almost £47 million in a pay bonanza since 2007. According to an audit by the *Daily Mail*, Manny Fontenla-Novoa, CEO between 2007 and 2011, took home pay totalling £16.8 million in that period. Harriet Green received almost £11 million in total pay from 2012 and 2014 as CEO, racking up an £80,000 yearly hotel and travel bill on top. The *Mail* found, “In 2015 alone, she received £6.3 million despite only working for two months of that financial year.”

Michael Healey, chief financial officer from 2012 to 2018, pulled in £8.3 million in salary and bonuses. Fankhauser was paid £8.4 million since 2014, including £4.6 million in bonus payments linked to performance.

The union representing many UK Thomas Cook workers, the Transport Salaried Staffs’ Association (TSSA), did nothing to mobilise its members to defend jobs, let alone call for united action with thousands of travel and transport workers across Europe whose livelihoods were also threatened.

Last week, TSSA General Secretary Manuel Cortes wrote to Business Secretary Andrea Leadsom politely asking for “an urgent meeting” about the rescue of Thomas Cook. This was not forthcoming, with Boris Johnson refusing any funding for the ailing firm on the grounds it could create a “moral hazard” for other struggling companies.

Cortes wrote an undertaker’s letter to TSSA members, “convey[ing] my deepest sympathies to you and your dependants and families.”

It has been left to Thomas Cook workers to organise a fight back. Within days, a Facebook page has attracted over 3,000 former staff who are planning a protest march on October 2 through Westminster.