

THOMAS COOK GROUP PLC

**REVIEW OF CUSTOMER HEALTH, SAFETY, WELFARE, RELATIONS AND CRISIS
MANAGEMENT**

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About Thomas Cook

Thomas Cook was founded by its namesake in 1841 initially with a social purpose, organising train journeys for Temperance Societies and Sunday Schools. It became a commercial business in 1845 publishing a forerunner to the modern holiday brochure. In 1850 the business burgeoned with trips to the Great Exhibition in London followed by the first overseas trips in 1855.

One hundred years, 3 generations of the family, foreign ownership and nationalisation later, the business was at the centre of the 1950's travel boom. It was privatised in 1972 and continued a proud tradition of innovating on behalf of travellers during the boom years of growth for the package tour industry. This was a period of takeovers, mergers and travel industry consolidation across Europe. In 2001, following acquisition by a German company – C&N Touristic AG – Thomas Cook AG was born. Subsequent mergers with My Travel plc (2007) and, in respect of Thomas Cook's UK retail network, The Co-operative Group (2011), created the Thomas Cook Group plc we know today.

Throughout its history its objective has been to 'consistently meet and exceed the expectations of its customers'. Indeed, often it has stood out as a true leader in its industry, perhaps best captured by the well-remembered "Don't just book it, Thomas Cook it" advertising line. Like any business with a proud history, Thomas Cook can trace its roots all the way back to the beliefs of its founder. As he once said in describing himself "I am the willing and devoted servant of the travelling public".

About the author

Justin King CBE is currently Vice Chairman and Head of Portfolio Businesses at Terra Firma, the leading private equity group. His 35 year career has spanned a variety of FMCG and retail businesses – Mars, Pepsi, Haagen Dazs, Asda, Marks and Spencer and Sainburys. From 2004 to 2014 he was Chief Executive of J Sainsbury plc, leading a turnaround and subsequent transformation of the business. He is renowned for putting customers and colleagues (Sainburys employees) at the heart of this transformation. Sales and profits grew substantially during his tenure but it was the improvements in price, quality and service that were most noticed and appreciated by customers. Sainburys became widely recognised for its leading position on issues of corporate responsibility and was at the forefront of the debate around values led business.

In 2013 he was named ‘Most Admired Business Leader’ by Management Today and as ‘Britain’s Most Impressive Businessman’ in the IPSOS-Mori Captains of Industry report.

About this report

Following the inquest into the deaths of Robert and Christianne Shepherd, and subsequent communication with the families, the idea of an independent review of Thomas Cook Group's customer health, safety, welfare, relations and crisis management was proposed publicly by Peter Fankhauser, its CEO since November 2014. The author was contacted in July and agreed to undertake the review, having been reassured as to the genuine commitment of the company to engage openly and honestly and its intention to publish the findings in full.

The events of 9 years ago and subsequent journey are, of course, the key backdrop to the report and the insights of the families gained during this most challenging of times, vital. However, other than in the subsequent 2 sections, namely:

The deaths of Robert and Christianne Shepherd and subsequent events,
Relations between the families and Thomas Cook,

this report does not seek to re-examine the events themselves.

The events have been examined through the criminal courts in Corfu and the Coroner's Court in West Yorkshire and they have been the subject of civil claims and settlements. The judgment of these various legal processes must stand, though it can be noted that it remains the case that the Crown Prosecution Service have not discounted the possibility of future criminal proceedings in the event of further significant evidence.

To compile this report the author has conducted interviews with a wide variety of Thomas Cook Directors, employees, advisors and suppliers and he has engaged with industry bodies and the families. A full list is attached in Appendix 1.

The author has also reviewed multiple documents relating to Thomas Cook's recent and current policies relating to the matter in hand; audits relating to both the effectiveness of those policies and processes and their implementation in the field.

It is clear that significant changes flowed both from the events of 2006 and more recently, as those events were re-examined by the Coroner's Court and the new leadership of the organisation. This report seeks to make recommendations that both continue and build on those changes but also where needed, propose more fundamental change.

A note from the author:

I would like to thank all the Thomas Cook employees that helped with the preparation of this report. Their openness and honesty reflected a real desire to ensure lessons are learned and that changes follow. In particular, I found the frontline colleagues both in resort and customer service centres to be passionate about their customers and frustrated when systems and processes got in their way. I am sure they will see much in this report that they will support.

Justin King, October 2015

The deaths of Robert and Christianne Shepherd and subsequent events

Neil Shepherd, Ruth Beatson and Neil's children Bobby and Christi (whose mother is Sharon Wood) booked a holiday at the Louis Corcyra Beach Hotel in Gouvia, Corfu with Thomas Cook from 23-30 October 2006. They stayed in a semi-detached bungalow situated in the grounds of the hotel. Overnight on 25/26 October the group were victims of carbon monoxide poisoning causing the deaths of both children and the near death of the adults.

There were multiple investigations and legal actions resulting from these deaths, summarised below under 'subsequent events'. The cause was perhaps best captured by the coroner, David Hinchcliff in his narrative thus:

"Water heating and air conditioning was from an LPG water heater located in a separate annex which was allocated to the bungalow. The water heater was badly installed, defective and dangerous in that in-built safety devices had been deliberately disconnected. The water heater had not been serviced or maintained, causing carbon monoxide fumes to escape into the bungalow through defective building and piping."

Subsequent events

Whilst this section is not intended to be a full and comprehensive review of all matters civil and legal relating to events since the deaths of Bobby and Christi Shepherd, it does cover some of the most significant and those that were often reported in public. I felt they were the most important to understanding the backdrop to the current policies of Thomas Cook Group that are within the remit of my report and the changes that have undoubtedly been made since the events of 2006.

2006:	Greek and English police investigate the incident. The inquest in the UK is formally opened in November 2006 but immediately adjourned given the parallel legal proceedings.
2006:	3 November: West Yorkshire police (WYP) contact the Thomas Cook Group (TCG). Investigation was commenced against 15 TCG officers and employees on suspicion of manslaughter and breaches of health & safety legislation.
2007:	2 April: Panorama run a special broadcast relating to the deaths of Bobby and Christi in particular focusing on TCG and the hotel and more generally the approach of tour operators to health & safety.
2009:	WYP interview 15 current / former employees of TCG under caution.

2010:	Following the investigations the Greek police charges were laid against 13 individuals including Richard Carson and Nicola Gibson of Thomas Cook. 9 defendants were ultimately acquitted including all TCG employees. An appeal against some of these acquittals by the Greek District Attorney was dismissed in September 2011 at the Corfu Court of Appeal. 4 individuals were found guilty on various charges.
2010:	12 April: the family issue a civil claim in the Greek court for compensation. The defendants included all defendants in the Greek criminal proceeding and their employers. This claim was settled on behalf of all defendants by the hotel insurers in May 2012.
2012:	23 October: Thomas Cook bring a civil claim in the English High Court against the hotel for an indemnity for all costs incurred in relation to defending the criminal proceedings (including on behalf of its employees) in the Greek court. This claim was settled in September 2013, with Thomas Cook receiving £1.5 million from the hotel in several instalments through October 2014.
2013:	May: the appeal in the Corfu Court of Appeal of the 4 convicted individuals is heard. 1, Mr Xydias has his conviction over-turned; 3 convictions were upheld (Mr Chrysikopoulos, Mr Louvros and Mr Stoyiannos) but the sentences are reduced and suspended so none serve any time in prison as a result of the incident.
2013:	December: the Coroner engages with TCG with regard to preparation for the inquest and specifically a pre-inquest hearing.
2014:	February: Following the rejection of their application for legal aid the family request that TCG assist in respect of their legal fees. This request is rejected. The pre-inquest review is held by the Coroner for West Yorkshire.
2014:	September: Following a request from the company the Crown Prosecution Service make it clear that they cannot provide an open-ended assurance that there would never be any basis upon which prosecutions might be undertaken given the possibility of the emergence of further significant evidence.
2015:	April/May: Inquest touching on the deaths of Robert Shepherd and Christianne Shepherd is held. The jury for the inquest make their determination in May. The Senior Coroner of West Yorkshire, David Hinchcliff then on 18 September issued a Regulation 28 Report to Prevent Future Deaths, which asked for responses from those to whom the Report was directed by 16 November 2015.

Relations between the families and the Thomas Cook Group

It is not formally the role of this report to investigate or pass judgement on the relationship between the families and Thomas Cook during the 9 years that have elapsed since the deaths of Bobby and Christi.

However it is clear, in my view, and should be noted that the legal backdrop to the case weighed heavily on the decision making of the company. Decisions were often not taken in the thoughtful and caring way you would expect from a company such as Thomas Cook. This situation persisted for almost 9 years and involved 3 permanent CEOs. Manny Fontenla-Novoa was CEO when the tragic deaths of Bobby and Christi occurred through 2011, while Harriet Green was CEO during the pre-inquest period, from 2012 until November 2014. Peter Fankhauser, who was appointed CEO in November 2014, provided testimony at the inquest as he was called to do so by the Coroner, being the current CEO. The fact that this tragic situation spanned almost 9 years is testimony to how much the legal, rather than the human considerations dominated the landscape. The company did reach out to the family several times over the years, but these approaches were intermittent, sometimes ill-timed and often ill-judged. Conversely approaches from the family met with untimely and somewhat abrupt response, or, in the case of Mr Shepherd's attempts to arrange a meeting with the company in 2013, no response at all. The distance between the families and Thomas Cook finally came into sharp focus at the inquest in April/May 2015.

I am pleased to note that subsequent to the inquest the current CEO, Peter Fankhauser has met with the family and in particular, Sharon Wood, Bobby and Christi's mother a number of times. In its submission to the Coroner after the inquest, Thomas Cook was able to note that it had now 'met with Mrs Wood and Mr Shepherd and as part of these discussions has agreed to set up a new carbon monoxide charity'. The 'Safer Tourism Foundation' has been underwritten by Thomas Cook with an initial investment of £1,000,000. In addition, although Thomas Cook had in early 2014 denied a request from the families to pay their legal fees in connection with the inquest, thus causing the families to seek legal aid, after meeting Mrs Wood and Mr Shepherd who again made their request so the public taxpayer would not be burdened with their legal fees, Mr Fankhauser did in fact have Thomas Cook pay these legal fees.

A number of other initiatives in the pursuit of improving the safety and welfare of holiday makers have been agreed. One of these was the commissioning by the company's Chairman, Frank Meysman, and its CEO, Peter Fankhauser, of this independent review. I am pleased that the families note the creation of this review in their recent submission to the

Coroner. I can confirm that I have met with both Neil Shepherd and Sharon Wood to learn of their experience, and indeed the comprehensive knowledge of the issues raised that they have developed. I would like to thank them for their thoughtful contributions.

General Observations

The 9 years since the Corfu tragedy have been a period of profound change for the travel industry. There has been a structural shift away from full package tours (those covered by the Package Travel Directive Legislation – see appendix 3) to holidays self-assembled by the customer. Often this will still be with the established tour operator brands such as Thomas Cook. Increasingly though, in an internet enabled and informed world, self-assembly can be effected directly by the customer with the providers of travel, accommodation and other service providers.

It is against this backdrop that the EU Commission have been seeking to provide more all-encompassing consumer legislation evidenced by the EU green paper on Tourism Accommodation Safety. Progress is slow. Industry bodies such as ABTA born out of a particular industry structure, are grappling with these changes too. Now with over 1200 members, it is an open question as to whether ABTA can represent the whole industry in all of its forms from package operators to bed brokers? If so, what level of reassurance can it provide to consumers on behalf of the industry as a whole, when what individual companies provide is so different? Further complexity is created by the fact that trusted brands such as Thomas Cook compete in most, if not all sectors of the travel industry – driven by the radical structural changes to ‘fight on all fronts’.

For the consumer this has undoubtedly led to confusion. They have an awareness built over many years of their consumer rights, and indeed what they can reasonably expect as customers, yet today the holiday they book may not come with the legal rights they might expect nor the level of service they have come to expect from a full package tour. There is clearly a role for organisations such as ABTA, leading companies such as Thomas Cook and consumer representative bodies to do a much better job of explaining this ‘field of play’ so to speak. The industry has a collective responsibility to help its customers identify real value for money – not just the lowest price!

As you would expect, these 9 years have seen radical change for Thomas Cook: significant growth primarily through merger and acquisition; a financial crisis and subsequent recovery being of most note to shareholders. For customers the changes have been fast coming: a reduction in High Street presence; the significant growth of internet search and booking (though the UK in no way leads in this regard); a much broader range of product from beds only to full service Thomas Cook dedicated resorts, reflecting market changes. Of course, the Thomas Cook promise and the reassurance it is able to provide is very different depending on the product and I shall return to this several times in the recommendations section of this report.

The journey on health and safety over the last 9 years has been significant. Undoubtedly the Corfu incident and the subsequent investigations did flow through to policy and procedure change. I believe that on the whole the business resisted the temptation to stick with where it was for fear that change might point towards failure in the past. It was, however, sometimes slow to change and I think it would be fair to describe most of the period as moving with the industry, rather than ahead of it. However, in more recent years the business has been through significant upheaval both financially and operationally. Almost all major processes, policies and structures – including those of health and safety and the wider customer agenda – date from the last 2 years. For the purposes of this review therefore it is this period that has been focused on.

It would be fair to describe much of this change as ‘work in progress’ not least how the business is led, managed, motivated, measured and controlled. In that regard I would like to make the following observations:

- a) Thomas Cook Group remains 4 business segments, 3 leisure travel businesses split on geographic lines namely: UK & Ireland; Continental Europe and Northern Europe; and a Group Airline, operating in the UK, Germany, Belgium and Northern Europe. Although there are Group structures and processes I have, on the whole, confined my comments and recommendations to the UK & Ireland business. There is of course much to learn and share between the businesses and much of what I have observed could apply Group-wide.
- b) Tenure in role across the vast majority of senior positions (in UK & Ireland) is very short. Time and again I have met people who are still getting to grips with the challenge. This has been helpful in surfacing issues for sure and as I have noted elsewhere, I have been impressed by the talent and customer focus of the people I have met. A period of structure and personnel stability will be necessary to effect meaningful and lasting change.
- c) In recent history the axis of the business has been around financial, contracting, the airlines and destination. More recently the business has been moving to create a real customer focus. As part of this key functions have been re-organised, namely:
 - i. Group health and safety
 - ii. Group risk and audit
 - iii. Group customer experience

If the ambition to place the customer at the heart of the business is to be achieved, these functions need to be empowered, resourced and supported in a way that is not sufficiently evident at present.

d) As a consequence of the above, the recommendations that follow in this report have been written as if the change process starts now. On the whole, however, as I have observed much has been done to move in the right direction, in particular in the last year. But it is clear that to date the actions have been insufficient or progress has been slow, no doubt partly due to the size and complexity of the business. Where this has been observed clear recommendations have been made. I hope that those with these responsibilities today, who have openly and willingly shared their views and knowledge, can use these recommendations as a spur to further and faster progress.

Executive Summary: overall themes

There follows in this report six sections covering the full remit of the investigation. Within each section there is a general discussion of findings on the issue, followed by a number of specific recommendations. Some are small and easy to execute, others quite far reaching in their consequences. I encourage the reader to view them as a whole in the context of an organisation already well set on a path to real change.

A number of themes have emerged in my investigation which warrant consideration across the whole business.

1. **Empowerment and reward**

There is a mismatch across the business between the accountabilities people have, and empowerment to deliver against these. This failure is both structural and cultural. Reward mechanisms, on the whole reinforce this mismatch. They should reflect and enhance the empowerment needed.

2. **Customer knowledge**

Within the business there is significant data and information on customers. Today it is dispersed and it is not used as well as it could be to the benefit of the customer. Creating a 'single view' of the customer to be used to their benefit will be transformational.

3. **Group knowledge**

Almost everything that needs to be done is already happening somewhere in the business. The business still operates in functional and national silos. Breaking down these barriers ensuring learning from others within the Group represents a significant opportunity.

4. **Industry leadership**

Many of the Thomas Cook Group's issues are issues for the industry. Thomas Cook must not be shy of taking the lead. In this regard it must be challenging around the table with ABTA, and where appropriate its competitors. If the industry makes progress on the customer agenda, all benefit.

5. **A learning organisation**

Thomas Cook is beginning to be a 'learning' organisation. It is listening to customers and colleagues and has started to respond with pace and vigour. This was not always the case in the past. There remains much to do to embed this approach.

I am reassured from my conversations with management that this report is seen as a catalyst for further and rapid change.

Section 1: Health & Safety: findings and recommendations

The Thomas Cook Group has a comprehensive, detailed and regularly reviewed Health & Safety Management System. It is up to date with current legislation and forms an excellent framework for all Group health & safety activities. Oversight is through the plc Board's Audit and Health, Safety & Environment Committees and the Group Enterprise Risk and Audit function. In line with best practice these Committees are chaired by independent non-executive directors and the chairs clearly have recent and relevant experience. They meet regularly and have access to the auditing activities of the operating companies, as well as reviewing and challenging the risk register. Overall therefore the governance is what you would expect given the nature and scale of the business.

The Group health & safety strategy is clearly articulated and has been the subject of recent audit and review. A number of significant shortcomings in the implementation of the strategy and the operation of the safety system were identified in this review. It is encouraging both that this review was detailed and independent and that clear action plans are now in place to address these issues.

The Group health & safety function and its leadership have been much changed and improved within the last 2 years. They have made great strides in professionalising and systemising the Group's approach to health & safety. Their agenda and scope has clearly grown more recently and the function would appear now to be very stretched. In culture terms it is my assessment that it is still the belief that it is the health & safety teams that 'do' health & safety. There is a long journey ahead to embed in the culture the idea that it is the universal responsibility of all colleagues.

In-resort health & safety checking has been contracted out for a number of years. There were clearly service issues with the old external provider and the service was re-tendered 2 years ago with SGS selected as the new provider. It is worth noting that a significant challenge of the old contracted out service was the inability of the Thomas Cook Group at that time to respond in a structured way to the issues that were being identified. Action lists remained long throughout their tenure. The re-tendering process was detailed and comprehensive and it is clear that the selected provider, SGS, is a leader in the field. Their tender was comprehensive and detailed and responded not just to the Thomas Cook Group's 'request for service' but also brought their professional experience to bear in proposing different approaches to the challenges of in-destination audit. The resources that they are able to draw on market by market, means that they are able to far exceed the level of reach and professional expertise than the Thomas Cook Group could with an internal approach. By providing career opportunities and development to health & safety

professionals they are much better able to ensure audits are carried out by appropriately qualified personnel.

A number of options for the frequency, depth and number of audits were considered as part of the re-tender process. Although the new contract achieves a greater level and quality of auditing than had previously been achieved, the option chosen was at the lower end of the scale reflecting budgetary constraints. As such the current level of auditing can best be described as adequate and industry matching. With the contract well into its second year a review is underway to determine what changes are appropriate. In particular, the current focus of auditing is on the high volume hotels and those typically sold as part of a package. The impending change in legislation here may well enforce an increase in auditing activity to fully discharge legal responsibilities in the future.

SGS have confirmed that they are able to meet their target service criteria within the current budget and that further budget has always been forthcoming should they, in their professional opinion, believe in individual cases further investigations are required beyond budget scope. As has been noted elsewhere, I do not believe that customers have remained fully aware of the service level they can expect when booking a holiday on a self-select basis (rather than as a package). This is an industry-wide issue. It follows that this applies to Health & Safety assurance too. It remains the case that for the vast majority of accommodation (though a much smaller percentage of the actual nights booked) health & safety checking will be on a self-certified basis with checks undertaken infrequently by destination staff with basic training. Again it is an industry issue.

Case law (appendix 3) is clear that the standards that apply will be those that are the legal requirement in the destination. There have been attempts to unify some accommodation safety standards across Europe by both industry groups and government, but these have not as yet been fully successful. ABTA as the leading industry body plays an important role in sharing information. The now long established FTO Health & Safety Committee meets regularly and information on safety issues which are considered non-competitive is shared. Standards have been agreed and are implemented and enforced by committee members. Beyond this central forum FTO committees meet locally in resorts and focus on local specific issues. They have led campaigns on swimming pool safety, balconies and quad bikes in recent years. It should of course be noted that although much earlier in their development structures such as this did exist back in 2006. Although the presence of gas as a heat source in the villa in Corfu had been noted by a representative from another company they did not identify it as significant so it was not reported at the time.

Any health & safety system is very dependent on information sources beyond auditing. Customer complaint information, quality checking and auditing by in-resort staff can prove

invaluable in helping to target auditing in resort. At present within the Thomas Cook Group this information is not collected with sufficient robustness and accuracy for it to be useful in this way. Also, as noted elsewhere, the Thomas Cook Group do not have the system capability to aggregate and present this information as useful management information.

Safety of course extends far beyond accommodation and it is pleasing to note that the Thomas Cook Group has health & safety policies in all the major risk areas: swimming pools, balconies, transport, excursions, fire and food amongst several others. This once again demonstrates the comprehensive approach towards identifying where risks lie. All these areas are subject to the external audit programme and are also part of the in-destination, in-season health and safety checks.

Recommendations:

- 1.1 The recommendations contained in the recent audit of the Group Health & Safety Systems with action plans already in place should be implemented at pace now that they are agreed.
- 1.2 A formal review of the success of the SGS contract should be conducted to coincide with the 2nd anniversary of its commencement. The Thomas Cook Group must consider a significant increase in the budget allocated to this activity. The focus in particular should be on deeper audits (rather than more frequent) and an extension of the activity to a wider group of hotels.
- 1.3 In support of this the Thomas Cook Group should increase significantly the internal resource allocated to health & safety. The focus in particular for this extra resource should be preparation for the legal changes which will likely require wider checking and the creation and delivery of new colleague training in-destination, that better integrates with the new SGS contracted service.
- 1.4 The Thomas Cook Group should provide industry leadership with ABTA and others to develop the role of the FTO Health & Safety Committee. They should explore whether the common use by major players of external contractors, such as SGS, provides an opportunity for a much more comprehensive and independent collation of industry safety data.
- 1.5 A complete review of audit reports and templates currently in use is required. They need to reflect the changing legal and contractual backdrop, developing knowledge on risks and the skills and training requirements of the colleagues that will be required to complete them.
- 1.6 The process for capturing issues requiring action and ensuring follow up requires review. Specifically it is not integrated to the contracting process and it is not clear that enforcement action follows if third parties do not act as required.

- 1.7 The Thomas Cook Group as part of its bi-annual review of the SGS contract should explore with SGS how existing customer feedback could better be used to direct safety auditing and what requirements SGS might have of any future management information systems.
- 1.8 The Thomas Cook Group should review its printed and online brochure content with a view to:
 - 1.8.1 making it clear to customers what level of auditing has been undertaken on each type of hotel and package
 - 1.8.2 providing useful advice on what risks might be common both generally whilst on holiday (e.g. pool safety) and those specific to particular destinations (e.g. malaria)
 - 1.8.3 providing helpful guidance on the different legal framework that exists by destination (e.g. driving laws, alcohol legislation etc)

The objective underlying this is to help customers feel better informed about the destination, resort and hotel choice they are about to make.

- 1.9 As noted elsewhere the Thomas Cook Group should create a confidential health & safety whistleblowing line for use by both colleagues and suppliers.

Section 2: Carbon Monoxide: findings and recommendations

Over a 25 year period there have been 5 (see appendix 4) recorded incidents on package tours which led to deaths attributed to carbon monoxide, including the tragic deaths of Bobby and Christi.

Within the package tour industry there is a generally accepted 'risk list' for the danger of serious injury, illness and death with the 'big 5' being: swimming pools, balconies, excursions, quad bikes/scooters and food. That carbon monoxide, and more widely, heating sources do not feature highly has meant that it has never demanded the attention of the industry other than in specific circumstances. Awareness within the industry remains low and amongst travellers, even lower. In the UK it can be observed that as a result of Government action and fire brigade engagement within communities, the awareness of the benefits of smoke detectors has risen significantly. It seems unlikely that until we become aware of the dangers of carbon monoxide within our own home and how simple it is to avoid them, that we will as travellers see the possibility of that danger abroad.

Groups such as 'Co-Gas Safety' (www.co-gassafety.co.uk) have worked tirelessly on this agenda. Data that they have collected over a near 20 year period points to 677 deaths in the UK and of 32 British citizens abroad (not necessarily on a package tour or booked through tour operators). It is clear therefore that the issue goes beyond the travel industry, or indeed any one operator. Very likely it will be awareness 'at home' that is the precursor to awareness when travelling.

Recommendations:

- 2.1 Recommendations 3, 7, 8, 9, 10 of the report issued by the West Yorkshire coroner relate to or touch on the issue of carbon monoxide. I recommend that Thomas Cook Group support these recommendations to the fullest extent possible, taking the lead for the industry where necessary.
- 2.2 I recommend that within their website and in all brochures Thomas Cook Group include a section on carbon monoxide risks and safety (most likely together with fire risk and safety). Putting the risk in context, outlining symptoms that might point to carbon monoxide poisoning and simple actions on what to do if you suspect such poisoning.
- 2.3 I recommend that all Thomas Cook Group health and safety training for destination / in-resort personnel include a full briefing on 2.2 above.

- 2.4 I recommend that Thomas Cook Group source an affordable and portable carbon monoxide monitor and make it available to purchase by travellers via their website using a simple click-through in the order confirmation process or from the 'health advice / travel check list' drop box.
- 2.5 I commend the establishment of the 'Safer Tourism Foundation' and encourage Thomas Cook Group in addition to the £1 million funding to commit necessary executive support in pursuit of the objectives of this charity.
- 2.6 In Corfu, it seems clear that although several checks by operators including Thomas Cook Group had failed to spot the (faulty) boiler its presence had been identified. This further strongly makes the case for improving the collating of industry data on health and safety issues. Thomas Cook Group should take a leading role on this with the support and facilitation of ABTA as appropriate (see also recommendation 1.8). This is an issue where collaboration rather than competition is appropriate.

Section 3: Quality Assurance and Contracting: findings and recommendations

The contracting process within the Thomas Cook Group is pivotal to the creation of affordable holidays that represent great value for money. Quality assurance fulfil the key role in ensuring that what has been contracted, paid for and sold to the customer is delivered on the ground. I believe the process to be generally efficient. It deals with an extraordinary level of complexity and change. However, across the Group the process is fragmented within country silos and opportunities are missed to leverage the scale and strength of the Thomas Cook Group on behalf of the customer. This is particularly so when dealing with large hotel groups or in markets where there is greater demand than supply.

A common theme that emerged in the compiling of this report is that in recent years, as demand has surged from countries such as Russia, hotels have been less and less accommodating of the demands of their UK customers and this has been reflected in the contracting process. It is not clear that the contracting process has remained fully integrated with the process of brochure production. Indeed it is entirely possible that the contract with the hotel does not reflect the promise made. Whilst uncommon, this is a significant cause of customer complaints when it occurs. When contracts have long duration and few sanctions other than withdrawal, resolution can be very hard. The withdrawal of a hotel from the system is a very rare occurrence and the lack of belief that the sanction will be used weighs heavily on negotiations.

Group Quality Assurance has a clearly defined role and subject to both the constraints of numbers and the complexity of the task, cover the ground well. The embedding of the Quality Assurance Managers within destination teams undoubtedly places them close to customers and allows them to develop in-market expertise, but does raise questions about whether they can be as truly independent as the contracting process needs them to be.

Overall it is important to understand that at the current level of resource this is a Quality Audit process rather than Quality Assurance. As such its use of risk assessments and soft data such as customer comments and complaints will be vital to its success. At present – particularly on customer data as observed elsewhere in this report – this is not fully integrated.

Although there are many thousands of hotels and other service suppliers within the Thomas Cook Group system, a relatively small number account for the majority of holidays booked. It is appropriate therefore, that in prioritising their workload the quality teams focus on the high volume areas of the business. Similarly, relatively small numbers of hotels join the system each year and the contracting and quality assurance teams can raise the bar, so to speak, at this point of entry. Negotiating leverage to effect change is greatest at this time, but is not always exercised when time pressures can prevail.

Recommendations:

- 3.1 The Thomas Cook Group should prioritise system development to ensure that Group Quality Assurance and the Quality Assurance Managers have available 'soft' customer data to help prioritise their workload.
- 3.2 The process for the removal of a hotel, or other service provider, from the system should be clarified. In particular, levels of service failure and complaints should be objectively set. Where providers fail to meet these the presumption should be removal unless specific and contracted remedial action is agreed.
- 3.3 The reporting line of Quality Assurance Managers creates the potential for a conflict of interest. Whilst it maximises local and focussed knowledge, checks need to be put in place to ensure their independence is preserved.
- 3.4 Third party agents should be brought fully within the ambit of the contracting and quality assurance processes.
- 3.5 Clear binary hurdles should be set before any new hotel or service provider enters the system. Whilst it is appreciated that it will sometimes be necessary to contract and begin to market, before quality and health and safety can be audited (as in a new build hotel for example) the use of a clear 'stage and gate' process should be introduced. The burden must shift to commercial and the service provider to prove compliance to be able to proceed.
- 3.6 The future changes expected to the Passenger Travel Directive will significantly widen the scope of the Group Quality Assurance team. In preparation for this the business needs to develop clear proposals for how this will be achieved, given the market scarcity of well-trained resource in this area.

Section 4: Destination Management: findings and recommendations

Destination Management has been at the heart of the Thomas Cook experience for generations. It encompasses the famed Holiday Rep with whom we are all familiar, but also the in-resort and country management, quality teams, entertainers and third party agents. Successful Destination Management is the key to creating a memorable, quality holiday experience. Destination Management (DM) has undergone radical change with the Thomas Cook Group in recent years. Structures have been changed, costs significantly reduced and the tools of the job much changed. This can most generously be described as work in progress, but it is the conclusion of this report that at present the destinations are not adequately resourced and equipped to produce that quality holiday experience.

At the heart of this challenge is that DM is a profit centre. It sees its role as the maximisation of revenue for the minimum of cost. As this report observes elsewhere, this creates tensions in the relationship reps have with customers and a misalignment of goals. This is not the case in the whole of the Thomas Cook Group and the approach and outcomes are markedly different in the Scandinavian business. There have been multiple projects to change processes in-destination over recent years including a formal approach towards productivity lead by an internal 'Lean Team'. However, it is not clear that the disciplines of trial and measurement in pilot markets – representative of the business as a whole – have been followed before rolling out. This has led to limited engagement with those changes in some destinations.

The resources in-destination are often not adequate to deliver on the brochure promise. In particular, it has been observed that transfers from airport to hotel are increasingly unaccompanied and the amount of time Reps have to spend in hotels reduced. The role of technology in supporting these changes is undermined by an historical lack of investment in IT infrastructure. For example, it was observed that in some destinations Thomas Cook colleagues are unable to access the Thomas Cook own website due to IT inadequacies.

Destination Management ought to be the key source of challenge within the business for issues such as relationships with accommodation providers and of course in dealing in the first instance, with customer complaints. However, they do not appear to be appropriately empowered in this process. Budgetary and contractual constraints mean that they can often be little more than messengers and hope that action will result elsewhere, something in which they have little faith.

Many of the changes made to Health & Safety, Quality Assurance and Customer Relations elsewhere within the business whilst laudable and appropriate, rely heavily on the implementation in-destination. However it is clear that training and guidance to perform these duties is inconsistent. New paperwork and processes have not been implemented in a

structured and complete way and those with long-standing experience are often relied upon by less experienced members for guidance and counsel. Experience is an issue. The changes in tax and working regulations has led to a greater level of movement than was historically the case. In this sort of environment it is doubly important that structures and processes work well, are clearly understood and training provided so that even the newest members know what is expected and are confident they can fulfil their responsibilities.

This all places significant and increasing demands on the in-destination teams. The evidence of the Thomas Cook Group own internal employee survey, and observed by the author is that despite the challenges and obvious frustrations that flow from the above, the destination teams remain focused on trying to play their part in delivering a great holiday experience. The many complimentary letters and emails are testament to this. They are however increasingly frustrated that they are not supported with adequate resource in these endeavours.

Recommendations:

- 4.1 Many of the above issues have already been identified by the company and have been examined by internal audit in the past 6 months. I believe this audit to be comprehensive, accurate and its recommendations both sensible and necessary. I urge the Thomas Cook Group to implement its findings in full.
- 4.2 The incentive structure for in-resort personnel needs to be altered radically with a significant switch towards customer satisfaction levels based on the Thomas Cook Group's Scandinavian model.
- 4.3 A full review of all change/lean projects currently in roll-out should be undertaken over the off season months to ensure that learnings from 2015 are incorporated before further roll outs in the 2016 season.
- 4.4 A full audit of IT infrastructure in-destination should be undertaken and reviewed against the capability requirements of new systems supporting Health & Safety and customer initiatives. A detailed development plan to rectify shortcomings must be created.
- 4.5 A complete review of all in-destination paperwork to ensure it accords with new processes should be undertaken. A simple – though perhaps costly – solution would be the disposal of all old paperwork and replace with new. Much of the old paperwork is neither 'on brand' nor fit for purpose.

- 4.6 The Thomas Cook Group should review the Rep transfer process and seek new ways, within the current legal structure, to create greater stability in-market. Where appropriate this should include more local recruitment to ensure a greater level of local knowledge and language skills.
- 4.7 The Thomas Cook Group should create a new internal whistleblowing line for in-destination colleagues. The particular focus of this should be their ability to report for investigation – anonymously if they wish – issues that they have become aware of relating to Health & Safety, Quality Assurance and customer experience.
- NB: The Thomas Cook Group does have an internal whistleblowing line. This needs a re-launch to encompass the several recommendations on whistleblowing included in this report.

Section 5: Customer Service & Relations: findings and recommendations

Even in an internet enabled age delivering a great holiday experience is still a 'high touch' process. Whatever the booking route, around 90% of bookings have some change before travel. Sometimes this will be at the customer's behest, often not. The Thomas Cook Group are not always timely in the communication of these changes, leading to frustration and disappointment. I was able to witness first hand however, the extra-ordinary commitment to supporting customers of the teams in customer service in Peterborough. Indeed, my favourite quote of the whole investigation, from a customer service representative, was as follows: "I love (dealing with) difficult customer (issues) if I am empowered to solve their problem". Empowerment, or more accurately, lack of it is a significant issue. As noted elsewhere, destination teams do not believe they are empowered to solve issues for customers quickly and at first contact. This sentiment was echoed almost word for word by the customer service teams based in the UK.

This lack of empowerment, for front line colleagues to sort out issues for customers, seems to stem from a belief that expectations from customers are unreasonable when things go wrong, as they inevitably do. Customers, according to internal legend, are fired up by knowledge of the law and are informed by social media. Frankly, so they should be! It is the responsibility of the company to respond to problems in a way that delights, not frustrates. Then the law would be irrelevant and social media positive. The law looms much too large in customer engagement, indeed there is even a department called 'customer legal'. Around 25% of complaints are resolved only after some sort of legal process.

There is much confusion on the part of customers as to the exact nature of the holiday or package that they have booked and the terms and conditions that apply. Many disputes are founded in the detail of this. The responsibility must lie with the company to ensure that at the time of booking customers are clear on this kind of detail.

Across the business capturing of customer complaints and feedback is neither adequate or consistent. This means the business is lacking in the basic input it needs to challenge in-market service providers and hotels to improve future product for sale and spot and address emerging trends. There is much frustration in customer facing teams that the business is not equipped to hold service providers to account when they let customers down. The business is in the process of seeking to address this with new systems and processes, most notably the roll out of MATSOFT. Delivered in-destination via notepad computers. The roll out of this is incomplete and it has not, as yet, delivered the potential benefits identified in trial.

The recent launch of a new customer service charter is a good start, but as yet the organisational, system and cultural changes that will be needed to make it 'live' have not been implemented. There is much experience to be shared from within the Group, specifically Scandinavia who are clearly some years ahead in this process with integrated systems for capturing and reporting, different incentive structures to support great customer service and embedded cultural change.

There has been a significant loss of experience within the UK business with the consolidation of customer service operations into Falkirk and Peterborough. This will inevitably take some time to settle.

Recommendations:

- 5.1 Aware of these issues the company has recently audited the progress on the implementation of the new customer charter. This audit identifies clear shortcomings and recommends a comprehensive package of changes. The business needs to move swiftly to debate, agree and implement these proposals.
- 5.2 With the impending change in the law the Thomas Cook Group has a unique opportunity to better communicate its customer service offer. It is not the same between Concept Resorts, dynamic packages and bed bookings. Physical and online brochures, together with the booking process need to be altered to communicate this clearly.
- 5.3 The legal backdrop is also an industry-wide issue and I recommend the Thomas Cook Group work with ABTA, other operators and consumer groups to see what collective communication could be achieved to help customers with impending change.
- 5.4 The Thomas Cook Group needs to create a formal process for destination and customer service colleagues to challenge the accuracy of brochure entries, in particular when they identify the brochure entry does not reflect the contracted service level.
- 5.5 As noted under 'Destination Management' a whistleblowing line for customer facing colleagues to raise, anonymously if they wish, failures to deliver against the customer charter should be established.
- 5.6 A customer satisfaction KPI should be established and agreed upon and form part of the remuneration and performance review process for all colleagues building on the recent change for senior management.
- 5.7 The roll out of MATSOFT should be fully evaluated and subject to a full internal audit over the off-season. Particular focus should be placed on ease of use and the completeness of complaint capture in-resort.

- 5.8 The Thomas Cook Group should significantly increase the empowerment of front line colleagues (destination and customer service) to resolve complaints at first contact. This will require the ability to offer both cash and vouchers and in destination to require service providers to support. This will require the review of service contracts. 'First contact' solved should become a performance measure for complaint resolution.
- 5.9 The entire suite of written and electronic customer communication should be reviewed to remove, where at all possible, 'legal' references, making them more personal, understanding and engaging.
- 5.10 The reviews identified above must include the creation of a clear pathway towards integrated management information on customer feedback. This is a key stepping stone to using customer feedback to enhance health & safety, as noted elsewhere.
- 5.11 The Scandinavian customer feedback system and management information should be reviewed to identify if it presents a speedy and affordable solution to a number of these challenges.
- 5.12 The company should create a culture of celebration of colleagues who go the extra mile to create a great customer experience, especially when this is addressing something that has gone wrong!

Section 6: Crisis and Incident Management: findings and recommendations

The Thomas Cook Group operates a professional, comprehensive and regularly updated Crisis Management Plan. Structurally this is supported with ownership by a Group Head of Crisis Management, a professional in their field who has developed much relevant experience.

The business has a clear understanding of the processes it should follow in both identifying and notifying an (impending) crisis or incident. It moves quickly to establish an appropriate chain of command which can cut across normal organisational controls to make things happen. This was observed in incident management whilst the report was being compiled. Overall the business appears to have good training in place to ensure senior managers understand their responsibilities in this process. However, it has been observed that knowledge of the process in the wider business is variable and that training has been either intermittently or inconsistently completed. The normal operating structure of establishing a 'Gold' management team to handle major incidents represents best practice and business owners to support this have been clearly identified.

The business operates a conventional 'Risk Dashboard' process which identifies its key risks. As you would expect – and quite properly – these are not all customer facing, but I would observe that there is an over-emphasis on financial and reputational risk and less emphasis on customer consequences and outcomes than is appropriate.

There are clearly unresolved issues in the relationship between the Thomas Cook Group, its competitors and state agencies (most noticeably the Foreign Office). This can result in different and confusing communication to customers about what has happened and what they need to do. It was very evident for example in the recent terrorist incident in Tunisia. When death is involved or there is the possibility of criminal activity, the role the travel agent can play is necessarily curtailed and almost inevitably the process can appear from the customer point of view to be not 'joined up'.

Where the crisis or incident is less significant in terms of injury or death, but still major in terms of customer impact the process in general is set up for success and appears to work well. It is clear that the organisational silos which have been observed elsewhere in this report still play a part. In particular, individual profit centres such as the Airline and Destination Management have a tendency to protect cost rather than maximise the customer experience. Their approach is closer to 'what's the minimum we can do to solve the problem' rather than 'what should we do to make this as good as we can'. This is a cultural as much as a financial challenge.

There is good evidence that the Thomas Cook Group thinks beyond the pure management of the crisis. It has a well described Customer and Relative Welfare Policy. It has internal 'special assistance teams' which it can fly in to the scene of a crisis when it is judged it will be beyond the capacity or capability of destination resources. It contracts with and uses specially trained external suppliers for counselling both colleagues and customers, particularly in the case of bereavement. In this regard, the 'bereavement help pack' currently being developed by the Thomas Cook Group in collaboration with Sharon Wood is to be commended.

Overall it should be remembered that the Thomas Cook Group helps 20 million people travel every year. That means at any given time there is a population the size of a decent town being supported by Thomas Cook and its representatives abroad. Accidents and incidents will happen so the processes ready to cope with this need to be appropriately robust, supported by people with the right skills and training.

Recommendations:

- 6.1 The Thomas Cook Group must regularly review the implementation of training in its crisis management process. This should be the subject of occasional audit and be part of the line management discussion in the annual performance review process.
- 6.2 The Thomas Cook Group should introduce a formal, post incident review process for all 'Gold' incidents. Where these identify shortcomings in the process or actions that do not reflect those trained, a remedial action plan should be created and completed.
- 6.3 Regular reviews/simulations should be staged. In particular to test whether appropriate communication takes place in the early stages of an emerging incident.
- 6.4 Contact lists with ownership of key actions need to be regularly reviewed with multiple deputies established for circumstances such as sickness, holidays or simply difficulty in contacting.
- 6.5 The Risk Dashboard should be reviewed with a view to shifting the emphasis to consumer outcomes driving actions, rather than financial or reputational consequence.
- 6.6 The Thomas Cook Group should work together with other key industry players and bodies, such as ABTA, to establish better protocols in the event of a major crisis. In particular with a view to avoiding situations where the Foreign Office advice clashes with the actions being taken by individual companies.

- 6.7 The Thomas Cook Group should work together with other key industry players and bodies, such as ABTA, to create a clearer process and ownership for the notification of death to next of kin. This will require engagement with state agencies as well. It is clear that at present a significant potential exists for unnecessary delay and confusion.
- 6.8 The Thomas Cook Group should review its internal approach towards the costs associated with dealing with crisis. In particular the removal of silos and ‘budget protection’ and a recognition that it’s a company cost to deliver a satisfying outcome for customers.
- 6.9 Once developed, the ‘bereavement help pack’ must be widely circulated and the necessary training to support the process delivered.

Appendix 1

People interviewed as part of report preparation

Sharon Wood	Mother
Neil Shepherd	Father
Frank Meysman	Chairman, Thomas Cook Group plc
Peter Fankhauser	CEO, TC
Michael Healy	CFO, TC
Craig Stoehr	Group General Counsel & Head of M&A, TC
Salman Syed	Ex-MD, TC UK & Ireland
Alice Marsden	Group Company Secretary and Head of Legal – Group, UK & Ireland, TC
Andy Cooper	Ex-President of Federation of Tour Operators and Industry Consultant
Rhys Griffiths	Partner, Field Fisher Waterhouse
Mark Tanzer	CEO - ABTA
Nikki White	Head of Destinations & Sustainability – ABTA
Michelle Maynard	Group HR Director, TC
Michael Scheidler	Director of Group Destination Management, TC
Stephan Braun	Group Head of Hotel Purchasing, TC
Carol MacKenzie	Group Head of Crisis Management, TC
Martine Verluyten	NED & Chair of Audit Committee, Thomas Cook Group plc
Emre Berkin	NED & Chair of Health, Safety & Environment Committee, Thomas Cook Group plc
Kathryn Darbandi	Retail Director, TC UK & Ireland
Bjorne Sandstrom	Chief Touristic Platform Officer, TC
Peter Welsh	Group Head of Health & Safety, TC
Alison Edgley	Head of Contact Centre, Peterborough, TC
David Spickett	Head of UK Customer Experience, TC
Will Staples	OCC Manager, TC
Lee Bradley	Chief Risk Officer, TC
Remo Masala	Chief Marketing Officer, TC
Peter Grandell	Director of Operations, Hotels & Resorts, TC
Jerry Allen	Kenyon International Management Services
Mark Lyons	MCM
John Noble	Consultant
Annette Hoher	Group Customer Experience Director, TC
Joerg Esser	Group Head of Longtail, TC
Gonzalo Escorial	SGS Health & Safety Services

Christoph Debus	Chief Airlines & Hotel Officer, TC
Magnus Wikner	MD Northern Europe, TC
Richard Ward	Dalaman Destination Manager
Harriet Green	Ex-CEO, TC
Manny Fontenla-Novoa	Ex-CEO, TC

My thanks also to:

The Customer Service Team at Peterborough

The Resort Team in Marmaris, Turkey

The Team at Thomas Cook, Aldersgate, London

The Team at Thomas Cook, Ralambsvagen, Stockholm

Appendix 2

Key Documents Reviewed

- Safety Management System Volumes 1 & 2 3/15
- Health & Safety Strategy Report Various
Including:
 - TC UK&I H&S Policy
 - Customer H&S Policy
 - H&S working procedures
 - SGS proposal/contract
- Group Risk Dashboard Various
- Monthly H&S Audit Report Various
- SSID – Supplier Safety Information 3/15
- H&S Audit Report: 6/15
 - Excursions
- H&S Audit Reports: Various
 - Water Safety
 - Food Safety
 - Building Safety
- TC UK Customer Strategy 8/15
- TC Customer Support & Code of Conduct 2014/15
- TC Group Tour Operators Crisis Management Plan 8/14
- TC Destination Process Review 7/15
- TC Reputation Audit 7/15
- TC Destination Management Audit 8/15

- TC Group H&S Strategy 1/14
- TC UK Every Voice 2014
- TC Group Crisis Management Policy 7/15
- TC Group Customer & Relative Welfare Policy 7/15
- TC H&S Resort Documentation: Various
 - Multiple forms
- Coroner Inquest Conclusions: 9/15
 - Family submissions
 - TC submissions

The above represents the key documents reviewed.

My thanks to Thomas Cook colleagues, and other external bodies such as ABTA and Federation of Tour Operators for their support and the many other individual documents and reports they have produced to help illuminate my understanding of the issues involved.

UK Travel Industry and Health & Safety Timeline

<u>YEAR</u>	<u>LEGAL FRAMEWORK</u>	<u>INDUSTRY</u>
1981	Wall v Silverwing (High Court): unreasonable to make tour operators responsible for safety of components	
1989		Development of TOSG (FTO) H&S guideline (Fire & Hygiene)
1990	EU agreement of Package Travel Directive	
1992	Implementation of PTD into UK law	
1993	Wilson v Best Travel (High Court): standards to be applied are those of the country where holiday takes place, <u>not</u> country where holiday sold	FTO creates SCOT (Safety Committee of Tour Operators)
1996		FTO employs first H&S co-ordinator
1998		First FTO H&S handbook TC develops its first H&S standards
2000	Codd v Thomson Holidays (Court of Appeal) applied Wilson v Best to PTD	
2001		Initial development of pass database to hold tour operator audit data
2002		FTO Code of Practice published – 30,000 copies distributed to hotels used by FTO members

2007		FTO starts EU lobbying for tourism accommodation safety legislation
2008		FTO merges with ABTA
2010		Formation of Tourism Accommodation Safety Group ABTA, TC, TUI, IC Hotels
		European Hotels Group HOTREC publishes voluntary standards on fire safety
2014	EU green paper on Tourism Accommodation Safety	

Appendix 4

Gas Related Deaths Recorded – UK Travel Industry

1988 Travel Club of Upminster, Albufeira

1992 Kathleen Neal
Airtours, Sun Beach Apartments, Santa Ponsa, Palma

1994 Tansey
Parque Santiago, Tenerife

1995 Janet Smith
Thomson, Costa del Sol

2006 Bobby & Christi Shepherd
Thomas Cook, Corcyra Beach, Corfu