



# Transport Committee

## Oral evidence: [Airlines and airports: supporting recovery of the UK aviation sector](#), HC 683

Tuesday 21 September 2021

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Members present: Huw Merriman (Chair); Mr Ben Bradshaw; Ruth Cadbury; Simon Jupp; Karl McCartney; Grahame Morris; Gavin Newlands; Greg Smith.

Questions 1 - 56

### Witnesses

I: Colm Lacy, Acting Chief Commercial Officer, British Airways; John Holland-Kaye, Chief Executive Officer, Heathrow Airport; Sophie Dekkers, Chief Commercial Officer, easyJet; and Stewart Wingate, Chief Executive Officer, Gatwick Airport Ltd.



## Examination of witnesses

Witnesses: Colm Lacy, John Holland-Kaye, Sophie Dekkers and Stewart Wingate.

**Q1 Chair:** This is the Transport Select Committee's opening evidence session for our new inquiry, which at the moment is called International Travel: the traffic light system and consumers. This is the first session in our airports and airlines inquiry as we look at international travel and its recovery. We have one session with four panellists, and I will ask them to introduce themselves and the organisations they are from. Let's start with Sophie Dekkers.

**Sophie Dekkers:** Good afternoon. I am chief commercial officer for easyJet.

**Chair:** Good afternoon, Sophie. Next we will go to Colm, who has just joined us.

**Colm Lacy:** Hello. I am acting chief commercial officer of British Airways.

**Chair:** Good afternoon, Colm. Next let's go to the airports, and we will start with my nearest one, which is Gatwick.

**Stewart Wingate:** I am the chief executive of Gatwick Airport.

**Chair:** Last but by no means least, John.

**John Holland-Kaye:** Hello, I am the chief executive at Heathrow Airport.

**Q2 Chair:** Good afternoon, John. Thank you so much for giving us your time and your evidence this afternoon. We are very keen to hear from you as to the impact of the pandemic and also the new opportunities that have just been opened up by some very welcome recent announcements.

We will first look in detail at recovery of the UK aviation sector. To set that in context, it would perhaps be wise for us to ask you how your individual companies have been impacted. I looked at some evidence, which I think came from you, Stewart, at Gatwick, that summer 2021 has been better than 2020 in large European markets, with the exception of the UK. With that said, would you tell us about the impact of the pandemic on your business, your workforce, and your customer base? Sophie, we will start with you at easyJet.

**Sophie Dekkers:** Obviously, we have seen a significant impact over the last 18 months and some of the capacity figures help to illustrate that. In our quarter 3, which was from April through to the end of June, we operated 17% of our available capacity that we operated in 2019 in the same time period, so there was a significant grounding of the whole fleet across the network.

What we have seen is that within Europe across the summer, with the easing of the restrictions and the removal of testing requirements, demand is picking up again. Over the summer in our quarter 4, so July through to September, we have operated around 73% of our capacity



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that we had available versus the same period in 2019. That compares with international-touching capacity in the UK of 32% of the available capacity. In the UK, we were able to operate domestics. We operated domestics at 99% of the capacity that we operated in 2019, but the UK international capacity is what has pulled down our entire network, when you consider that 50% of our fleet is based in the UK. Net overall for that same period, we have operated 57% of what we operated in 2019.

Not only have we had only 32% capacity on those UK international routes; the load factor that we fly at has been at 63%. The percentage of seats full is around 63% and normally we would be, certainly for the summer period, up in the 90s. Even having reduced the capacity, we also had very soft demand. To be honest, we tried all sorts of things to stimulate demand, but with those restrictions in place consumers did not want to travel. There was too much uncertainty. I understand that there have been about 50 changes and restrictions over the period of the last 12 months—there has been too much uncertainty, too short notice, and customers just did not have the confidence. You can see that. Because we are pan-European, being able to see the difference between what happened in Europe and what happened in the UK is really stark.

To wrap that part up, normally our revenue is about 50:50 UK and European income. We have been at around 75% in European income. That reduced to around two-thirds over the summer, but that is definitely not what we would normally see. That has had a big impact in our operation. Obviously, during the period we have had to close a number of our regional airports, like Newcastle, Southend and Stansted, because we had to make some tough decisions. That has been critical to us being able to get through the last 18 months.

**Q3 Chair:** Sophie, thank you for giving us the easyJet perspective on how difficult things have been. Colm, we will come to you in terms of British Airways. Is it a similar story for you?

**Colm Lacy:** Yes, Chair. First, members of the Committee, I would like to thank you for the opportunity to attend this inquiry, especially given its importance to BA and the role that BA will play in the economic recovery post-pandemic.

When we look back at 2020 and our performance, we flew -65.8% of our capacity, and revenue was 70% down versus the previous year, 2019. We had an operating loss of £2.3 billion, versus an operating profit of £1.9 billion in the same period in 2019. It was extremely challenging. If you look at the first half of this year, June to date, our operating loss was £1.3 billion. In terms of our capacity in quarter 2, we flew 14% of what we flew in 2019, down 86%. Our load factor was 44% versus 84% in the same time in 2019.

If you compare that with our European rivals, it is a very different picture. If you look at quarter 3, for instance, we are forecasting to fly 40% of our capacity, but if you look at the likes of Air France, KLM and



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Lufthansa, they are flying 70% of what they flew in 2019. Obviously, we have within the group Iberia and Vueling, and they flew at a capacity of about 70% over the same period in 2019. As Sophie said, it is absolutely about the restrictions that the UK was under in comparison to what the European countries were facing. The latest figures we have from EUROCONTROL show that BA in August was down 64%. If you look at Air France, it was only down 27% of capacity and Lufthansa was at 23%.

I absolutely echo what Sophie says about the restrictions in place and the testing, but also in terms of the friction it caused and the level of uncertainty of consumer demand. That is not what our European rivals have experienced.

**Q4 Chair:** Colm, thank you. Obviously, your airline moved away from Gatwick as a base, hopefully temporarily, so perhaps I should go to you, Stewart, on the impact it has had on Gatwick Airport.

**Stewart Wingate:** Thanks for the opportunity to present today. Clearly, Covid, as you have heard from our two major airlines—easyJet is our biggest carrier; British Airways is our second largest carrier—has had a devastating impact on Gatwick. If I look back to 2019, prior to the pandemic, Gatwick saw 46.5 million passengers in that year. Last year we saw 10 million passengers; 8.5 million of those passengers went through our doors before the end of March. In the last nine months of last year, we saw only 1.5 million passengers. This year, in the first half of the year, we saw just over half a million passengers. To put that into perspective for Committee members, typically we would see half a million passengers in the first three days of August, so that was half a million passengers over a six-month period.

Naturally, what that has meant is that compared with 2020, we are in a very unfortunate position where we expect to see less passengers this year than we saw last year, despite the successful vaccination rollout. To date we have announced that we have made losses across 2020 and the first half of 2021 of nearly three-quarters of a billion pounds. We have also, regrettably, had to reduce our workforce in the airport company by nearly 50%, primarily by voluntary redundancies. We have had to dramatically scale back our capital investment, which, of course, largely relies upon construction partners and IT partners developing programmes and projects at the airport, who are based locally. Over the period 2020, 2021 and 2022, there will be about half a billion pounds less capital investment than was previously planned before the pandemic.

One of the things that is unique to Gatwick is that we do share a lot of airlines, particularly with Heathrow. Of course, Heathrow is a larger airport with two runways. We have been really hard hit by the fact that many of our airlines have decided to consolidate, at least during the pandemic, into Heathrow, where they typically have larger bases. I think that it would be accurate to say that Gatwick has been the hardest hit of all large airports across Europe by the pandemic.



Q5 **Chair:** Stewart, thank you very much. Turning to Heathrow, John, perhaps in the same way, you could set out the impact the pandemic has had on your business.

**John Holland-Kaye:** Before I start, on behalf of all of us I would like to thank you personally and the Committee for all the work you have done to get international travel reopened safely, which is something that we all believe passionately in as something that is central to the future success of this country. I know that you have worked hard to get us to where we are today and we really appreciate that.

The last 18 months really have been brutal for us as an airport, in a very similar way to what we have just heard. By definition, we have a huge fixed asset base—£16 billion of assets—all of which has to be funded, all of which has to be kept secure and safe, even when we have almost no planes flying and no passengers. It is a very expensive, high fixed cost base operation to run. That is one of the reasons why even though we have had very few passengers in the last 18 months, we have made losses of nearly £3 billion that we have reported over a 15-month period. That gives a sense of the massive financial impact that Covid has had on us as a major international hub airport.

From a passenger point of view, we saw very similar passenger figures to what Stewart has described over the first 15 months of the crisis. In the first half of this year, just as an example, we were down to only 10% of the passenger numbers we would have seen in 2019, and that compares with our big rivals on the continent being somewhere between 20% and 25% of their normal traffic levels. The European competitors have been protected by having a domestic market, because the whole of the EU is open to them as a domestic market, but they have also been supported by their Governments.

One of the big differences here is that other Governments have seen the international aviation sector as essential to the health of their economies. They have helped to support them financially, but they have also had much more pro-trade policies that they have pursued, including keeping borders open, so that they could keep their economies moving and also get a competitive advantage over the UK, which has always been the biggest aviation centre by far within Europe. I think that that is something where we really need to fight back.

One of the things that is unique about Heathrow, of course, is that we are the UK's only hub airport. We are also the UK's biggest port by a long way. The impact of those long-haul planes that operate out of Heathrow not flying—and it is the long-haul planes that carry the UK's exports around the world and also the supply chain coming in from global trading partners—is that we are still seeing our cargo volumes go down by nearly 20% because of the loss of long-haul passenger flying. If you contrast that with our big rivals in the Netherlands or Frankfurt, they are actually up compared to 2019 because they have kept their aviation market moving and they have had a much more pro-trade philosophy.



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If the UK wants to be a winner, if we really want to make global Britain a reality, we need to be much more thoughtful and progressive in using our air routes as our international trade routes and make sure that they stay open in difficult times to keep British businesses moving and to protect jobs in the UK.

Q6 **Chair:** John, thank you. I think that all the Committee members appreciate your thanks as well—that is very kind.

With regard to numbers and workforce, Stewart has talked about the workforce being down by 50%. Perhaps you can give us an idea of the total number of employees you had before the pandemic and the total number that you have now. I will go around in the same order. Sophie, sorry to put you on the spot; do you have those figures?

**Sophie Dekkers:** You can tell I am suddenly looking at my notes to find the exact numbers because I don't want to quote anything that is incorrect.

In terms of employees, we have managed to retain the majority of them. We are still at around 15,000. We have reduced our management staff by about 30%. The management staff would make up a proportion of about 1,500 of the total 15,000 that we have employed. What we have done, though, within our pilot and crew community is to reduce them to seasonal contracts. They are only employed on either a 50% or a 75% contract. We have managed to retain a large proportion of them, but we have had to adjust the amount of employment we are able to offer them so that we are still able to offer them something. That is the biggest change.

We took out 30% of the management and admin staff, so we are down to about 1,000 from 1,500. Then what we have done on pilots and crew across Europe, but particularly in the UK, is we have put them on part-time contracts. The pilots and crew are on either 50% hours or 75% hours. There are very few who are currently on full-time contracts.

**Chair:** Thank you. You have probably given everyone else enough time to get their data as well. Colm, we will come to you next for British Airways.

**Colm Lacy:** As you are aware, last year we did a major restructuring. Before Covid, we had approximately 40,000 employees. We reduced that by 10,000, in fact, a 23% reduction, so we now have just under 30,000 employees. That was across all parts of the business—head office as well as our front-line staff—as we plan to fly less capacity in 2022 than we did in 2019.

**Chair:** Stewart, you said you were down by 50%. What was the figure beforehand and what is it now? Well, we might be able to calculate the latter.



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**Stewart Wingate:** Chair, at Gatwick the campus employment on the airport—that is not just the airport company but all of the associated businesses and services that are provided—accounts for about 25,000 people. We are the biggest single-site employer in the south-east of England. Out of that 25,000, the airport company that I am accountable for had a headcount of just over 3,300 people pre-pandemic. Primarily through voluntary severance programmes, that has now reduced to just over 1,700 people.

We have maintained the core capability of being able to serve, with the headcount that we have, about 30 million passengers per year. Clearly, if passenger volumes start to grow, we will have to go out and recruit again. One of the reasons we have been able to maintain that headcount, given the very low passenger volumes that we have suffered, is that we have made extensive use of the Government's furlough scheme. Even today, of the 1,700 staff that remain, over half of those people are currently furloughed.

**Chair:** Thanks, Stewart. Finally, John, your figures for Heathrow.

**John Holland-Kaye:** Heathrow as a site employs about 75,000 people; pre-pandemic, 7,500 were employed by Heathrow Airport Ltd. That has come down to about 5,500 people. In a very similar way, we have reduced our management population by nearly a half and that has been through compulsory redundancy. For front-line roles, we have had voluntary redundancy and that has reduced by about 1,200 people. We have cut back as far as we can while being able to keep the airport open safely and provide a decent level of service.

**Chair:** Thank you. Ruth, did you want to come back in on that specifically before I ask about the changes?

Q7 **Ruth Cadbury:** Yes. This is a question for Stewart and John. You are both, as Stewart said, the biggest workplace by far in your subregions. You both gave figures of the total number of people employed in and directly involved with the airport pre-pandemic. Are you not in a position to give any rough figure for what you think the current employment at and around your airports is now? As an affected constituency MP, that is what really matters to me.

**Chair:** John, perhaps we will come to you. You gave the figure of 75,000 and then you broke out the bit that you were responsible for, so what about the rest of the site, I suppose?

**John Holland-Kaye:** Ruth, I'm afraid I cannot give you an exact figure because we still have a lot of people employed through airlines and in supply chains who are on furlough. We do not really have an accurate view of exactly how many jobs will survive through that.

To give you an indication of the scale of the change, pre-pandemic we had about 110,000 people with security passes to be able to access the airport. They were not employed full-time on the airport but they would



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have access to it for providing services as well as working there. About 40,000 of the 110,000 passes have been handed back through Covid, so that perhaps gives a proxy that something like a third of people who were previously employed at the airport may no longer be employed at the airport.

**Ruth Cadbury:** Thank you. That is one way of measuring it and it just illustrates the devastation. Stewart, do you have an equivalent figure?

**Stewart Wingate:** I think that John used the word "proxy". If you take the airport company as a proxy for the campus, you probably would not be too far away.

At Gatwick, the way in which we have looked at the overall campus impact is to work very closely with Crawley Borough Council, which is our immediate district council, as well as the county councils particularly of West Sussex and Surrey, looking at the number of people who are taking jobseeker's allowance, for example. In an area that, for my 12 years at Gatwick, persistently has seen very low levels of unemployment, we now find ourselves, hopefully temporarily, in a very different place. I know that I speak on behalf of all of the companies at Gatwick. We are incredibly optimistic about the long-term future, and if we can start to see the return of demand in the coming months, we very much look forward to the day that we can get our workforce back to work.

Q8 **Chair:** Looking ahead, you have described devastating impacts on your businesses and on your workforce, and the knock-on for your customers. We had some welcome news at the end of last week, and more welcome news yesterday with regards to transatlantic markets. Can you comment on the changes and whether you feel they go far enough in giving you the recovery that you so badly need? I will go in the same order, so Sophie, we will start with you at easyJet.

**Sophie Dekkers:** We were surprised and delighted about the announcement on Friday. I don't think we had expected, given the indications we had had previously, that we would have any movement on PCR testing this year, so we do absolutely welcome it. Having said that, there is still a lot of confusion and different media coverage over the weekend asking what this means for children and what this means for those who are not vaccinated. I think that there is still a lack of the clarity that people are looking for.

Interestingly, sales over the weekend did pick up, but not to the extent that we have seen in previous announcements because we have missed the summer. Now, October half-term is probably the only big opportunity for people in the near term. Although we saw a good uplift in trading and sales over the weekend, we have missed the boat, unfortunately, with the summer holidays. There is still a question around the need for the day 2 test, whether that is a PCR test, and we understand we are switching to a lateral flow test at the end of October. We still do not have clarity on what date that is in October because some schools have their



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half-term the week before that, and some schools have their half-term the week that finishes on 1 November. People are still uncertain about whether, if they travel back, they have to do a PCR test or a lateral flow test. A lateral flow test still costs £40 on average. Yes, it does reduce the need to do the pre-departure test when you are in the destination, which we know was a big burden for people. The uncertainty of whether they were going to be able to find anywhere did add a barrier to purchase and to travel. Still, the fact that we have that day 2 test and the fact that it is roughly about £40 to have it done privately, which is what you are required to do, will be a barrier for some. For a family of four, that is £120. If you consider our average fare is £50, then £40 on top of that will still limit the number of people who will be able to travel in the near term. We would like to see that going further, naturally, and the removal of that day 2 test.

The number of positive cases that have come through NHS Test and Trace has been at about 1%, I think it was, from 12 August to 1 September. I think that is 30% lower than the ONS figures on the background rate in England, which is 1.4% of positive tests. There is no indication—in fact the converse—that travel is increasing it. The fact is that you are able to do so much in the UK now without any restrictions, yet we are still putting this restriction on travel. That will still be a barrier and that price point will still be an issue for lots of families and people who want to be able to travel.

Certainly, as we come into the winter, we can see that it is going to have a big impact on city breaks and short breaks, which you would normally see into the winter months. I think that what we are looking for is for that to be removed. That is what we really do need, and not for that to be considered in the new year. Our biggest booking period for the summer is Christmas into January. If we are not going to see until mid-January or late January a movement on that, then that is going to impact the whole industry even further. We would urge the Government to look to move more quickly, to give more certainty and to remove that day 2 test, which is not proven to do anything in terms of reducing case rates or anything like that.

That is our ask. Yes, we are happy with where we have got to, but we still think that the UK is lagging behind Europe. Nowhere else in Europe do they have testing like this. We are looking to expand in Europe. I think that John made the comment earlier about Amsterdam Schiphol. We operated 99% of our capacity from FY2019 in our quarter 4 this summer there, whereas we are at 32% in the UK. We are really lagging behind. I know that we have talked from an airport perspective, but if we look at UK airports, we are being overtaken by our European rivals. Heathrow used to be the number one airport in the world. It is now 10th. Gatwick was 10th and is now 30th. We were overtaken by Amsterdam, CDG and Frankfurt.



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If we want to be competitive, we need to be on a level playing field. We need to accept that we have very high vaccination rates, as does most of the rest of Europe now. The risk is very low and we need to remove this last hurdle.

**Chair:** Sophie, thank you. I do not want to get everyone to repeat everything that has been said already. Colm, do you want to endorse that or build on it, particularly perhaps with the US opening as well?

**Colm Lacy:** I completely echo Sophie's comments. The only bit that I would like to add is that, obviously, what she said is very much focused on just European travel, where the UK is at a disadvantage. It is also the same for some of the long-haul flying. If you look at Germany at the moment, it has no countries on a red list. The UK has reduced this in the last four days from 62 to 54, but we still have 54 countries on the red list. Furthermore, no other European country has forced hotel quarantine, and that costs £2,285, which is completely prohibitive. Again, Sophie talked about the statistics in terms of the risk of Covid and flying, and that really seems disproportionate.

We would urge the Government to move to home quarantine and to remove a number of countries from the red list. We absolutely cannot wait until the new year for further changes to the cost and complexity of testing, with the friction and uncertainty that causes for travellers, and particularly to the red list. The number of countries is disproportionate to the risk for fully vaccinated passengers.

Q9 **Chair:** Thank you, Colm. Stewart, we talk of PCR tests ending later in October, but for children in East Sussex half-term starts on 22 October. Is your concern that you may lose the last bit of the market before Christmas?

**Stewart Wingate:** Absolutely, Chair. Exactly as Sophie and Colm said, the situation we find ourselves in is one where the restrictions in the UK are more severe than some of our big competitor nations that we neighbour. It means that we are, unfortunately, lagging behind in our recovery by quite some margin already. Having lost the amount of money that we have all lost over the last 15 months, every single day counts, particularly as we start to approach the half-term holiday period and the Christmas holiday period where, of course, passengers do tend to book several days and weeks in advance.

Very much from our perspective, while we welcome the moves by the Government, particularly taking away the need for the pre-departure test, which we thought was very disruptive in terms of demand, and the fact that initially at least the Government are moving to the cheaper, more convenient and faster lateral flow tests, I fully endorse Sophie's position that we need to see the Government adopt a more liberal approach, more similar to what some of our big competitor nations have already put in place.



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For example, if any of us wanted to enter France today, there is no need for a pre-departure test and there is no need for any further testing as we enter that country. Of course, if somebody is considering whether they should have a short weekend break in London or Paris, whether that be a fellow European or somebody from the US, it is so much easier to go to some of the continental capital cities at this point in time. For us, every day counts and we would really like to see the removal at the earliest opportunity of even the lateral flow test on day 2.

In addition to that from a Gatwick perspective, as I mentioned earlier, as we then look forward to 2022, what we would like to see are the slot utilisation rules put back in place in the UK as they already have been across Europe for the winter season. The effect that that will have is that for Gatwick and our local economy and region, it will start to mean that all of our airlines will have to participate once more. I hope we would see a bigger participation from British Airways and from the likes of Turkish Airlines, TAP, Qatar, Emirates—all of the airlines that we share with Heathrow.

With the right testing regime in place, i.e. a simplified process, we do strongly believe that the Government should be in a place to then put the slot utilisation rules back in place for next summer, which will be to the benefit of the passenger at the end of the day.

**Q10 Chair:** Stewart, thank you. John, we obviously hear the calls for further reform, but it could be worse: you could be running Edinburgh Airport, which is not getting any of the PCR liberalisation at all. What do you make of the Government's measures and, indeed, President Biden's measures?

**John Holland-Kaye:** It is a good step in the right direction. I think that the traffic light system was the right thing for its time but it has now run its course and we need to move closer to where we need to get to, which is frictionless travel once more. What we would like to see from the Government is what the roadmap is to get us back to travel as it used to be.

We are going to have to live with Covid—we all recognise that. Vaccination is our way through this. If you have been doubly vaccinated, you would expect that you can get back to travel as normal without all the testing and the forms that you have to fill in. You will have heard the anecdotes of people who come over to the UK for a day of business. They have to book a test to take place in the UK, even though they will have left long before that test needs to be taken. You also hear the anecdotes of people who go and do a day of business in France, where it is very easy to get into France; it is incredibly complex coming back here and it still will be even with these changes.

This is what we need to change if we are really going to make the UK competitive, a place where people want to come to do business, where they want to visit for tourism, to visit friends and family. We are in a fight



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for the economic future of this country. We are not going to win that fight if we are always playing catch-up with the Europeans. None of the major markets in Europe have any kind of testing. Very few of them have any countries on their red list. We are still in catch-up mode. If we want to win, we have to get ahead and be far more progressive about opening up and being a welcoming, liberal, open trading nation.

**Chair:** Okay, John, thanks very much. I am going to hand over now to Members to go through various parts, but no doubt we will want to focus on some of the changes and what they may mean and what certainty and justification you have received. Let's carry on, though, with the recovery of the aviation sector with Grahame Morris.

**Q11 Grahame Morris:** Thanks very much for your evidence so far. I wonder if we might just continue. I am sure you are aware that we have the Secretary of State for Transport giving evidence to the Committee tomorrow, so I wonder whether you might inform our questioning. I have noted very carefully what you have all said, and everyone seems to be speaking with one voice in relation to the lifting of restrictions, the forced hotel quarantine restrictions and a move towards home quarantine, and the compulsory pre-departure PCR testing requirements. All have impacted badly on your businesses—on the airports and the airlines.

Clearly, your aim is to have those restrictions lifted if it is safe to do so, but if it is not the Government's intention to move as quickly as you would like, what, if any, short and longer-term interventions would you want to see from the UK Government to support the sector, given that it is one of the hardest hit sectors in the economy? I am particularly thinking here about European competitors extending furlough. Is that something that you would wish us to press the Secretary of State on tomorrow? May I start with John Holland-Kaye, please?

**John Holland-Kaye:** That is a really good question. There has been far more open and behind-the-scenes state support in other countries for their aviation sectors than we have seen here. In the US it has been a very significant support for the aviation sector.

What we would like to have seen long before now, but still would like to see to help to tide us over through until the recovery, is an extension of the furlough scheme—that would help to protect jobs in those very hard-hit local communities—a waiver of business rates, which we have seen in retail sectors but we have not seen in aviation, and also policies that support the sector, such as reintroducing VAT-free shopping in the UK, which makes the UK far more attractive for international visitors to come and spend their money in the UK rather than doing it in Europe. That is a change that the Government made at the end of last year and which has had a very damaging impact on the economics of travel overall and airports specifically. So, there are some very simple changes that the Government could make to support the sector.



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Do I think that any of those things will happen? No, I don't. We have seen no support at all from Government for aviation that is any different to what has happened in other sectors. We have had to get through this as best we can using our own resources, and we can all understand that, but I fear that what it will mean is that as we come out of this crisis, the UK aviation sector will go from being one of the strongest in the world to one of the weakest in the world and one of the weakest in Europe. It will be much harder for British airports and airlines to recover their positions and take the fight to our European competitors, who have been supported and had much more supportive Government policies behind them.

This is where the Government need to take a much more proactive view of aviation and recognise that our international trading routes for the small island nation that we are depend upon aviation. They should no more think about the loss of trading routes by air than they would the loss of railway lines or motorways in the UK. They are just as vital to the economic success of this country and we need it to be taken far more seriously by Government.

**Q12** **Grahame Morris:** Thanks. Stewart, you gave an account of the impact on Gatwick and of it being the hardest hit of any airport in Europe. Clearly, it is not just about Gatwick and the businesses there; it is about individuals, the loss of jobs, the reduction in terms and conditions and in contracted hours, and so on. It has had a massive impact. Is there anything that you could add to what John Holland-Kaye said about what we should be putting to the Transport Secretary tomorrow?

**Stewart Wingate:** Our priority at Gatwick for conversations with the Secretary of State is very much around how we kick-start the sector once again, in exactly the way that we have seen European countries kick-start their sectors.

We have all referenced the fact that the European markets are operating at 60% or 70% of pre-pandemic volumes already. If you look at the US market domestically, it is astonishing. On certain days in 2021, they have even exceeded the volumes of passengers travelling through their airports before the pandemic. That is an enormous difference to what the likes of myself, John, Sophie or Colm have seen in the UK.

The focus from a Gatwick perspective to the Secretary of State is very much at the earliest opportunity removing even the requirement for double-vaccinated passengers to take the lateral flow test on day 2. That should allow the reinstatement of the slot utilisation rules for the UK, which is a UK Government decision and is something that has already started to happen across Europe.

I then start to echo some of John's comments. Of course, we would welcome the extension to furlough. Speaking for Gatwick Airport Ltd, we have already come to an arrangement with our workforce where we have agreed there will be no further job losses at the airport over the coming



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year. We recognise that we need to keep an operational capability for when, hopefully, the Government do open up the sector fully and we come back with proper passenger volumes at the airport. We have already reached an arrangement with our workforce to say we are not minded to have any further job losses over the next period.

What the Government could do as sector-specific support, which we have all called for—I think that we are probably the one industry that went into this at the earliest time and we are going to come out of it as one of the last industries to emerge—is extensions to furlough. I am sure that John would agree with me that with business rates, our two airports have seen a maximum contribution from the Government of only £12 million. If I look at Gatwick, we will spend over £70 million on business rates in the years 2020 and 2021. It is even more extreme for John. Things like our policing costs—where at Gatwick we have continued to pay over £10 million for the policing costs at the airport, despite the fact that we have barely had any revenues—are some of the areas that the Government could look to support us on. I would not want those to distract from the fundamentals, which are that we need to reduce the travel restrictions in line with what other European countries have done and we need to get the slot utilisation rules back in place.

There are also some other things that would make a lot of sense for our Government, and again John and I from an airport perspective have spoken with one voice about this throughout the pandemic. We could really do with our Government taking a lead internationally to get reciprocal arrangements in place right across Europe and with the US so that it is simplified from a passenger perspective and passengers face the same processes when they travel, be that across Europe or to and from the US. We could really do with the passenger locator form being simplified as well. It is quite a cumbersome document. Any ways in which that could be simplified would be very welcome.

Finally, we need common sense recognition on all sides of the vaccination status for the various different vaccinations that have been approved in various different jurisdictions. If we could get all of that simplified, then I think we could be on the way back to some good passenger volumes as early as 2022.

**Q13** **Grahame Morris:** Thanks, Stewart. Could we get a perspective from the airlines, from easyJet and Sophie, without repeating John's and Stewart's assessments because of time pressures? Is there anything specifically that you want us to raise for both the short term and the long term? We have noted what you have said about lifting restrictions as soon as it is safe to do so.

**Sophie Dekkers:** I would echo everything they have said around furlough so I won't repeat that. We are fully supportive.

One thing to flag that has not been raised so far and that would be worth considering is that when destinations are added to the red list, there



should be more notice and perhaps there should be a watch list that actually means something. Having announcements on a Thursday that mean routes go red from 4 am on the following Sunday night into Monday morning has meant that we have been scrambling to get aircraft out to try to get people back in time. In reality, two more days probably would not make a big difference, but operationally and from a customer perspective, it would make a huge difference. That would be one ask that we have not covered so far.

We agree that there should still be, while we still live with Covid, some form of red list, but thinking about how that is managed and how that is communicated with the industry would be very helpful. I think that what we need is to have an open dialogue with Government, which means we get a heads-up so we can put plans in place before the 5 pm Friday night BBC News announcement, which we all sit around and watch and then have to frantically scramble our teams together to try to interpret it and make the changes and get aircraft out there to help customers. We need to have more insights, obviously confidential, so that we can make those decisions and help people when those changes happen. Yes, we understand the red list needs to be there, but we do need to look at how that is managed much better. That would be my additional ask.

**Grahame Morris:** We have a big shopping list there but, Colm, do you have anything to add to it?

**Colm Lacy:** No. The key bit for me is that we have always asked for a level playing field when we look at our European competitors, whether it is the airports or the majors flying in Europe. We would really just like to trade our way out of this by bringing back aviation within the UK and having the opportunity to bring business customers, as well as holidaymakers for UK tourism, and, more importantly, to reunite families, friends and loved ones. For me it is trading our way out of it and a level playing field, and I absolutely echo the comments there from Sophie, John and Stewart.

Q14 **Grahame Morris:** Thanks very much. I am conscious of time so I am going to ask for quick responses. I am going to be devil's advocate here. It is certainly true that no major airlines or airports have collapsed directly as a result of the pandemic, and I might say that the Committee has been very forthright in asking for sector-specific support for aviation at every opportunity. What is your view on the anticipated response from the Minister tomorrow, who says that the Government's approach has been correct because we have not seen any collapses of major airlines or airports? I must say that I am a bit alarmed by the reports in *The Northern Echo* today about the deficit that Tees Valley airport is running. John, could I come to you very quickly? I will go around and then I will pass on to a colleague because we have a lot more questions to ask.

**John Holland-Kaye:** We have had to load up on debt and to raise money through our investors to keep going. That helps the aviation sector to survive but it means that we have a very long route to recovery



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because all that debt has to be paid for and it can only be paid for by more people flying. That puts us at a significant disadvantage relative to our European competitors, who have not had that in place.

I do not think that it is right to say that no airlines have collapsed. Flybe went right at the beginning of the pandemic. It provided vital connectivity between the UK regions and between the UK regions and the UK's hub airport, Heathrow. That is a big loss to many small businesses across the UK and a great loss of connectivity for the Union. That is a real, tangible negative impact.

If I could just say one thing, though, as you have the Secretary of State coming: I think that he has personally championed the sector, even though others in Government have not been prepared to support it. He has really pushed hard to get the kinds of changes we saw announced on Friday, and I just want to recognise that.

**Grahame Morris:** Okay, thanks. Colm, can I come to you next?

**Colm Lacy:** Yes. I echo John's comments. As airlines we have loaded our balance sheets up with debt. As IAG we have done a rights issue. Obviously, that puts us in a different place to some of our European competitors, which have had bailouts. While we really appreciate the support we got from the UK Government in terms of furlough, in 2020 we had 20,000 employees in furlough, where we received £250 million. If we were a US airline, that number would be closer to a billion. That makes a difference in terms of how the industry is supported compared to our competitors. If you look at the major American carriers and their balance sheets and their performance, as we go forward there is definitely a challenge in terms of the level of support.

As we continue to say, a level playing field is all we are looking for. If you look at the UK versus Europe or even the US, it is certainly an opportunity for improvement.

**Sophie Dekkers:** Very briefly on the amount of debt that we have had to take on, we have had to raise £5.5 billion of liquidity. As you are probably aware, just two weeks ago we have gone out with another rights issue for £1.2 billion. Yes, I think that we are fortunate that maybe British Airways and ourselves were in a strong position before, which has meant that we have been able to raise liquidity, but we are in a more significant amount of debt than we were before.

Yes, although we haven't collapsed, we have closed the bases at Newcastle and Southend and Stansted, where we were employing crew and pilots locally. We have removed those aircraft from our fleet, so we have downsized and it will have an impact on those local economies where we have had to permanently remove those aircraft and those jobs. The airlines have not collapsed but they have certainly shrunk and it has had an impact on those economies specifically.



**Stewart Wingate:** I would agree with John's comments that the Secretary of State and his immediate team in the DfT have certainly pushed very hard for the sorts of changes that have come through. It is with some regret that those changes have come through at the end of the summer season, which of course is the busiest time of the year for many of the airports, and specifically for Gatwick, particularly as our vaccination programme was world beating in terms of the rollout and the speed. It is unfortunate that our sector is lagging behind the other European countries, where the vaccination rollout took longer. Nevertheless, from this point forward I think that there is a huge opportunity for us to catch up and then overtake some of those European competitors if we make the right decisions.

In terms of Government support at Gatwick specifically, we have taken advantage of the CCFF loan, £300 million, and that gave us some breathing space to put our long-term refinancing in place, which we did earlier this year. In line with what you have heard from others, at Gatwick it will not surprise you that we had to put in place a further three-quarters of a billion pounds of debt in the middle of this year. That will then enable us to pay back the CCFF loan. We have also made extensive use of the furlough scheme. By the end of the furlough scheme at the end of September, presuming that that is not extended, we will have drawn down something of the order of £50 million from the furlough scheme to help us to protect the 1,700 jobs at the airport.

It is clear for everybody to see that all of the airports have been very hard hit during this period and, of course, all of the carriers as well, and that is what we experience not just with our largest carriers, easyJet and British Airways, but with many of the other 70 carriers that we have that regularly fly in and out of Gatwick.

**Grahame Morris:** Thanks very much for your responses.

**Chair:** There is a long shopping list to go through with the Secretary of State. In fact, we have had evidence from other airlines and airports—Manchester Airports Group is as an example—so we will give Grahame 30 minutes tomorrow to go through them with Grant Shapps. Simon Jupp, over to you.

Q15 **Simon Jupp:** Let's add to that shopping list. Good afternoon to the panel. We saw some announcements earlier on this week and, in fact, at the tail end of last week about the Government moving away from two-day PCR testing to a new system of lateral flow tests for fully vaccinated passengers arriving from non-red list countries. The Government are saying that will be later in October. Clearly, that is not that clear for an industry that is already on its knees. Can I go through the panel this afternoon and ask whether there is a target date in mind? Obviously, yesterday would be marvellous, but do you have a target date in mind? I will start with Sophie.



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**Sophie Dekkers:** If we look at October half-term being the real opportunity for us to have any sign of a slight improvement in recovery in the short term, what we need to look at is the school dates of those half-terms. I know that it varies across the country, but I think that it is the third and fourth weeks of October that are those critical weeks. We would like to see that removed before the start of people's first half-term week, which I think in places like Leicestershire is that earlier week, is week 3, and in other areas it is week 4 in October. It is critical that that is removed before then.

They just need to put a date on it. Saying "later in October" does not give people confidence to book. We would ask them to put an actual date on it and we would urge them to be mindful of the fact that October half-term is that fortnight for people.

**Simon Jupp:** I am guessing that the rest of the panel would pretty much agree. Can I ask John briefly?

**John Holland-Kaye:** Yes, I do agree with that. The other thing I would ask, connected to that, is that Border Force has enough officers on the desks to support all the families coming back at the end of October half-term. That has probably been the weakest link in giving passengers a good service over the last few months.

**Simon Jupp:** Stewart, do you have anything to add?

**Stewart Wingate:** The only thing that I would add is that if you look at our key competitor nations—France, Spain and Greece as some examples—there is no requirement whatsoever for any testing when you arrive into those countries. I will just press that point again. For double-vaccinated passengers, we would like to see the full removal of a testing requirement when you come back into the UK. Realistically, I do not think that our Government are going to do that in time for the October break. I think that they should, but with that in mind, of course, I would support what John and Sophie said, which is that passengers require certainty as to when in October so that they can book, particularly in time for the school holidays, if we are to settle for a lateral flow test.

**Simon Jupp:** Certainty is certainly a rarity for your industry at the moment.

**Colm Lacy:** Just briefly, obviously a huge part of people travelling are those travelling for business. Therefore, while that October half-term is really important for all of us in terms of leisure passengers, we mustn't forget people travelling for business. I would echo Stewart's comments about removal of the day 2 PCR test or lateral flow test and the necessity for double-vaccinated passengers, but we have people travelling for business and we have people who do not have kids and the half-term, so it is the opportunity to reunite with family, friends and loved ones as soon as possible. Most importantly, as Sophie said, it is clarity on when it is going to come; as soon as possible so that people have time to book and



plan. We really need to have a bit more transparency to give consumers confidence.

**Q16 Simon Jupp:** I cannot stand spreadsheets at the best of times, especially if you are looking at forecasts for the future, but it has to be asked. After the announcements we have had in the last week and everything else and what you have said so far this afternoon in this session about what has been a disastrous transport policy that has impacted on your industry, when do you expect your respective businesses to return to 2019 levels of demand? Stewart, may I come to you first?

**Stewart Wingate:** As well as the easing of the testing requirements, which we have discussed at some length, what we specifically need at Gatwick, probably more so than any other airport, is the reinstatement of the slot utilisation rules. If that were to happen, I see no reason why at Gatwick we wouldn't have over 30 million passengers travel through the airport in 2022. We fully expect to be back to pre-pandemic levels by either 2025 or 2026.<sup>1</sup>

**Simon Jupp:** Interesting—2025 or 2026. Sophie, are you that optimistic?

**Sophie Dekkers:** I think that we are more cautious over the next 12 months but maybe more optimistic on getting back to 2019 levels. Probably 2023 is where we anticipate getting there. Our caution at the moment is that we are still seeing a weak near-term winter. We have cut capacity. The maximum we can go back to is around—well, between now and Christmas we are going to fly 60% of our available capacity network wide, so the limit of what we can do is fairly restricted because of the restructuring that we have done.

Yes, we are looking towards 2023 to be the year when we get back to 2019 passenger volume levels, subject to everything directionally going the way it is at the moment. Picking up on Stewart's point around slot rules, we welcome the support we have had from the UK Government on the alleviations that we have had so far, and we would be very open to looking at reinstating the full rules for next summer as well. With this coming winter it is still too uncertain for us and there is that lag. Certainly, as Colm says, those short breaks, the city breaks, and the business travel are going to take longer to recover.

**Simon Jupp:** John, when do you expect Heathrow to be heaving once more?

**John Holland-Kaye:** Well, your earlier question was about demand. The demand is there today. Globally, people want to travel, they want to see their loved ones and they want to go on holidays they have not been able to go on. Businesses want to reconnect. The problem is the controls that Governments around the world have put in place on your ability to travel. I don't think that is going to be fully changed until the world has been

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<sup>1</sup> CORRECTION: Gatwick Airport notified the committee of the statement error: "We fully expect to be back to pre-pandemic levels by either 2024 or 2025"



vaccinated. That is what takes us to 2024 before we start to get back to the kind of passenger numbers that we saw back in 2019.

To give you an indication, we have been talking about how far advanced the Europeans are compared to us. Even there, they are only at about 40% to 50% of the passenger numbers that they would have had in 2019, where we are down to the 25% to 30%. Even the opening up that we are pushing for won't get us back to where we need to be, and that won't happen until not only has the UK taken away all of the friction on travel—the passenger locator form, the tests—but other countries have done the same as well.

**Colm Lacy:** I echo John's comments. Obviously, demand is going to be subject to the restrictions that are in place. BA as part of IAG is not giving guidance on our expectation of demand, but if I refer to IATA, it is talking about getting back to 2019 levels in 2023 or 2024.

Q17 **Simon Jupp:** This next question might be a bit of a strange one, given the financial constraints that the industry is under. Given the Government's focus on greener, cleaner aviation in future, are you considering or wanting incentives to go greener, to invest in your industry? It must be a very difficult thing to contemplate, looking at your balance sheets at the moment. What do you think the Government can do to help you invest in the UK aviation sector after what has been a particularly tricky almost two years? Can I go to John first?

**John Holland-Kaye:** This is something that we have made good progress on in spite of Covid. I think that the whole industry, including the supply chain and the energy companies, has really moved ahead, not just in committing to net zero aviation, which was not included in the Paris accord, but since then the aviation sector has voluntarily made a commitment to that in the UK. We are pushing for that to become a global commitment at the ICAO General Assembly in September 2022.

In the UK, the Government have set up the Jet Zero Council, which is looking at the measures that are needed to get there. There are two main paths to take. The first is sustainable aviation fuels, which will allow us to take the carbon out of flights on existing planes. To make that scale up, we need two things: a mandate from the Government that requires a minimum of 10% SAF by 2030 and a minimum of 50% by 2050. Secondly, we need a price stability mechanism in place so that there is a level playing field for airlines using SAF so that they are not disadvantaged relative to using kerosene or to other countries. That is the system that has been used in the United States, where they actually have higher targets than I have just described on a voluntary basis.

Those mandates and the price stability mechanism will unlock hundreds of millions of dollars of investment in a sunrise sector, which could be a huge growth opportunity for jobs right across the United Kingdom in a lot of the regions that need investment and levelling up. I think that is the big opportunity. We are all committed to that. You are looking at four



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people who have campaigned for this internationally for a number of years, and we can start to make that a reality by using COP26 as a platform to get other countries on board and then getting a global agreement at ICAO in September next year.

**Q18 Simon Jupp:** Stewart, it must be frustrating to look at what has happened to your business over the last 18 months and then be told that you must do this, that you must do that, and jump through this, that and the other hoop. Though it is all good in policy terms, is it proving a challenge?

**Stewart Wingate:** First of all, I would start with the position that many of the UK airports had before the pandemic, which is a very strong one. If you look at Gatwick, we were the first London airport to be certified as carbon neutral—and that was back in 2017—for our direct emissions. We were also the first airport to have zero waste to landfill and we hosted the first Virgin flight, which had passengers on board, utilising sustainable aviation fuels. Those are just three examples of progress that was made pre-pandemic, and we are certainly committed to decarbonisation going forward.

During the pandemic, we have launched at Gatwick what we call our decade of change—our second decade of change where we specifically set out a range of sustainability objectives that we will be measured against and held to account for over the next decade. Particularly as we look forward, we are beginning to look—as John suggested—ever more closely at the rollout of sustainable aviation fuels, which we think for the next decade is an important area for the UK Government and the industry to focus on. It will require significant funding but it is something that is certainly being rolled out in other European countries and also in the USA. We think that is going to be a good enabler of starting to decarbonise the industry further.

That will go along with—as we always have done at Gatwick—utilising the latest technologies in our fleets of aircraft. We have a very young fleet of aircraft at Gatwick, which in itself keeps costs down for airlines and passengers, but also keeps down emissions. As we look beyond sustainable aviation fuels, we are very interested in what lies ahead with either hybrid, electric or hydrogen flight.

**Q19 Simon Jupp:** You neatly allow me to boast that my airport, Exeter Airport, had the first all-electric test flight on a commercial route in the last three weeks, which is an amazing step forward for the entire industry. Thank you for allowing me to plug that. It was almost seamless and I just made it less seamless.

Sophie, same question to you: the investment is obviously needed. We all want cleaner, greener aviation but it must stick in the teeth a little bit after the last 18 months.

**Sophie Dekkers:** Yes. I echo what both Stewart and John have said: we have not stood still. In the last 18 months, we have still made massive



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progress. In fact, Johan, our CEO, is at an Airbus event today in Toulouse on the ZEROe emissions programme, which is looking to develop hydrogen powered aircraft by 2035. That was kicked off and we were the first airline to partner with them in 2019. That work is ongoing. Obviously, it is still early days.

In the meantime, yes, we have done lots of things—and I won't go and list them all out—and undertaken a lot of activity in terms of making sure that we are taxiing on one engine and we have replaced our seats with lightweight seats so it reduces the fuel burn.

If we try to look critically at the impact that the pandemic has had, one impact is that it has probably slowed the amount of replacement aircraft we would have had coming into the fleet, and that is a reality. In previous years we have had between 20 and 25 new aircraft coming into the fleet every year, and those are our new engines. They are 15% more fuel efficient and 50% lighter, which is critical obviously for surrounding communities.

We have had to slow that, so we have not taken any deliveries in the last 12 months and next year I think we take eight. The year after we take seven and then we are back to taking 18. If we want to look at real impact, it has been that we have not been able to afford to take delivery of the new aircraft, which will replace the older aircraft, and that has a real impact on the environment, which we are very conscious of but we haven't been able to afford it because of the pandemic.

If the Government can help accelerate the recovery of the industry—all the things that we have talked about and our big, long wish list—that will make a difference because it means we can start to place more of those orders and start to have that recovery.

Our other ask would be around the Government investing in R&D, and properly investing in R&D in this area. That would be a game changer in terms of being able to progress with some of these new technologies and make them physically feasible and possible for them to be live.

In the meantime, we look at how we improve our operations to be as efficient as they can be. We are also the only airline that is completely carbon neutral, so we offset every single flight. Carbon offsetting is a bridge to fill the gap while we still develop the new technology, which is what is fundamental, so I think that would be our ask and our focus: R&D investment from Government in new technology.

**Simon Jupp:** Thank you. Finally, Colm.

**Colm Lacy:** For us, flying isn't a problem; carbon is. That is why, earlier this month, we launched BA Better World: a commitment to invest and put sustainability at the heart of what we do. We are committed to reach net zero carbon emissions by 2050. We have a short-term plan, which is



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about improving operational efficiency using more fuel efficient aircraft and ways of flying, and then reducing carbon offset and removal projects.

In the medium term we are investing in the development of sustainable aviation fuel, zero emissions hydrogen powered aircraft and carbon capture technology. As a company, we have a track record of leading on climate action. This year IAG became the first European airline to commit to powering 10% of its flights by sustainable aviation fuel by 2030. We have invested in LanzaJet to produce sustainable aviation fuel for us by the end of the year—easy to say!

We are grateful to the Government for funding four projects we are partnering in to develop sustainable aviation fuel production and facilities in the UK, including our partnership with Velocys for a plant to be built Humberside to create green quality jobs.

When we are talking about what we really need from the Government in this space, it is continuing to enable the scale-up of sustainable aviation fuel plants in the UK, and there is the Jet Zero Council that John referred to. Again, I echo Sophie's point about support for R&D into the low-carbon aircraft. We should include future aviation demand for hydrogen as part of the Government's hydrogen strategy and, finally, scale up the UK's carbon capture and storage solutions.

**Simon Jupp:** Thank you very much. I am conscious of time. I will hand back to the Chair.

**Chair:** Simon, thank you. Two others Members want to come in on the same subject—first of all Ruth and then we will go to Karl McCartney.

Q20 **Ruth Cadbury:** All the responses to the last question were techno fixes and we know that, particularly for long-haul aviation, the real carbon benefit will be a long, long way off.

Given that the vast majority—I think it is around 88% or 89%—of people who fly in and out of the UK are UK residents flying for non-business purposes, and given the tourism deficit of about £30 billion, can I ask the question in a different way? Are 2019 levels of passenger demand desirable, bearing in mind the Government's target to reach net zero by 2050? I will just ask John Holland-Kaye and Colm Lacy that question.

**John Holland-Kaye:** I go back to Colm's point. The issue is not aviation; the issue is carbon. We have to protect the benefits of aviation in a world without carbon, and that is the challenge we have to take on as fast as we can.

The great thing about sustainable aviation fuels is that they can fit into all of the planes that currently fly today. The faster we scale up sustainable aviation fuels, the faster we can decarbonise aviation and make sure we get the benefits of decarbonising quickly. It is not a techno fix. It is a real thing that has existed for over 70 years, but it just hasn't been scaled up and made economic compared to kerosene, which is very cheap. That is



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why the policies we have talked about—the mandate and the price stability mechanism—are so important.

This is happening quite quickly in other parts of the world. What is a real shame is that most of the big investments that are taking place are happening in other countries, which are incentivising investment to be made locally: Canada, the US and the Netherlands, where Shell has just announced a huge sustainable aviation fuel plant. Those investments could be happening here in the UK with the right Government policy quickly to scale them up. I think aviation is a fantastic thing for the UK. It has—

**Ruth Cadbury:** I will take it as a no then.

**John Holland-Kaye:** It has helped us to support the size of the economy we have and the very high quality jobs, so the focus needs to be on taking the carbon out of flying.

**Ruth Cadbury:** Not addressing passenger demand. Colm?

**John Holland-Kaye:** If I may comment on that, the UK addressing passenger demand is not going to tackle global aviation emissions. The Indians, the Chinese and South America are not going to follow a lead that says, “Just stop flying”. They will follow a lead that says, “You can continue to grow aviation if you take the carbon out of flying”, and sustainable aviation fuel allows people to do that. It works in different parts of the world. It works in India very well. That is where our focus should be and, if we want to take a lead in decarbonising aviation, we need to give people a solution that allows them to keep flying.

Q21 **Ruth Cadbury:** Sorry, when you say “decarbonising”, you also mean the other greenhouse gases that aviation emits because obviously some of them have a much greater greenhouse effect than carbon?

**John Holland-Kaye:** The focus is on carbon, which is what sustainable aviation fuels will help to fix. There are other technologies that are part of the mix, like liquid hydrogen. We have heard about electric flights for shorter journeys but it is the sustainable aviation fuels that are the key technology.

**Ruth Cadbury:** Do you have anything to add, Colm?

**Colm Lacy:** I agree with John’s comments in terms of having a medium to long-term plan to get to by 2050 so that we are basically carbon neutral. That is the plan that we have all signed up to and everybody is working to that. It is not about short-term fixes. We have to invest to have sustainable aviation fuel as one of the mediums. It is here now.

We need further investment and Government support for that, and we need to support technology and research and development to look at hydrogen options and, also, ways of storing and capturing carbon. It is not about techno fixes. It needs to be a sustained plan and it requires



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investment. It is a global industry and it needs worldwide solutions as well.

**Chair:** Karl, on the same point I think.

Q22 **Karl McCartney:** John, it was great to hear you explaining about sustainable alternative fuels. I was going to ask a question specifically about that and you have probably answered it. I noted that yourself and obviously Stewart, representing Gatwick, operate the airports whereas our other two witnesses operate airlines. I am going to deal with that because, Stewart, you mentioned hydrogen—I think there is a problem with getting enough power from hydrogen but that might be improved over the coming years—and also electricity, which is very heavy if you put batteries in place.

If I can ask Sophie or Colm first and then maybe Stewart or John you may want to come back in: what are your airlines doing to look at an alternative synthetic fuel that would be perhaps the easiest fix, as we move forward to 2035 or 2050, for replacing the current fuels you have with a synthetic fuel? There are obviously various options around the world, but are you investing in R&D? Sophie, you were saying it is great if Government invest, but any money that the Government invest is from taxpayers and you run companies that make an awful lot of money and profit in normal times. I am just making a plea that maybe you should be putting your money where your mouth is. Sophie, do you want to go first?

**Sophie Dekkers:** Yes, I am happy to start. I think it is a really good challenge and we now have, as you would expect, a sustainability director. We have a sustainability team that we have invested in internally to make sure that we are investing in the right things—and we are investing a lot—and the right technology.

The carbon offsetting is obviously one part of that but that is just part of it. Sustainable fuels are something that the technical team are looking at. We are looking at whether that can be done in a way that does not require significant modification of engines and so on, because if you do that you are almost falsely investing in something that is only going to be temporary. We would rather get the hydrogen powered aircraft and make sure that that can be sustainable with 180 to 200 seats and not just five seats on them. Because that is the full future. Synthetic fuel is an interim measure but it is not a permanent—

Q23 **Karl McCartney:** Sophie, I am sorry to interrupt you but you mentioned earlier on about you buying new planes every year, and obviously that has been scaled back in the last 18 months, but if you had a replacement synthetic fuel what is the normal lifetime of an airframe for your company before you sell it on and replace it?

**Sophie Dekkers:** The maximum we would go up to is around 16 years on an aircraft. You can go longer than that but we find that you get increased maintenance cost. You can probably go to 18 years maximum,



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but the increased maintenance cost and so on does not make it then efficient to fly. We do want to be taking on new aircraft because they are more efficient. These newer engines are the ones we do want to be investing in because of, as I said, the fuel savings you get from those anyway. We have been looking in the past at how you can look at KERS technology to save power on braking, and to be able to then use that when you are taxiing so you can convert the energy from that into power taxiing so that you are not wasting energy.

We have been looking at a number of different modifications that we can make to the existing aircraft in the near term that could make a difference, while we also look at that longer term goal of getting to hydrogen powered aircraft in 2035, if not sooner.

**Q24 Karl McCartney:** Before I go to Colm, as a company, are you investing a lot into that rather than just the salary of somebody with the title of sustainability manager?

**Sophie Dekkers:** Yes, that is a good challenge. We absolutely are. I do not have the figures to hand but we can come back to the Committee with those. We are talking tens of millions here.

**Karl McCartney:** We would be grateful if you would.

**Colm Lacy:** We have made a commitment to invest in sustainability. We have already committed that 10% of our flights will be flown by 2030 by sustainable aviation fuel.

We have invested in LanzaJet to produce sustainable aviation fuel for us by the end of this year. Overall, we are also investing in four projects for sustainable aviation production facilities, including our partnership with Velocys in Humberside to create sustainable aviation fuel. Overall, we have committed to \$400 million investment into sustainability.

**Q25 Karl McCartney:** Do you think these are exciting times? Obviously, we have mentioned on this Committee before that Siemens and Porsche are working together, while Rolls-Royce, BMW and others are looking at synthetic fuels. I am sure that you or your colleagues on your board keep an eye on what is happening.

**Colm Lacy:** Absolutely; it is an area of focus. There are four values we focus on at BA. It is not just about customers, shareholders and staff; it is also about sustainability. The launch of BA Better World is at the heart of what we need to do. It is a recognition for the industry. We are an airline industry. We understand that carbon is bad. We need to work together and find ways of doing it, and looking at what other people are doing is absolutely part of the benchmarking that we are doing.

We have made a commitment and, despite the pandemic, we have continued to invest and focus on it.

**Q26 Karl McCartney:** Thank you both. Stewart or John, is there anything you



wish to add?

**John Holland-Kaye:** If I may, synthetic fuels are part of the family of sustainable aviation fuels and they are probably the least well developed. It is about using hydrogen and captured carbon and combining them. I think that is really exciting technology because it has the potential for economy moves of scale, which could get the cost of production down to compete with kerosene.

There does need to be some Government help in kick-starting those kinds of technologies and scaling them up, just as there has been with wind power and solar power. There is an important role the Government can play in helping to get started.

The main people who are going to provide the scale solutions are not going to be the airlines, the engine manufacturers or the airports. It is going to be the energy companies that do this for a living and have a multi-billion dollar business here. What we should be doing is looking at how we can attract the investment, from Shell, BP and Exxon, right here into the UK to create high quality skilled jobs and the sunrise industry that will benefit the UK in the longer term.

The tragedy would be if we put policies in place that get easyJet and BA to be buying sustainable aviation fuel that is imported from the Netherlands and Canada. It should be made right here and we should be exporting it around the world, using the leadership that we have in those technologies. It will need Government support and co-ordination to make that happen.

Q27 **Karl McCartney:** You just connected the hammer with the nail right on the head. Stewart, a final word before I hand back to the Chair if you like?

**Stewart Wingate:** I just endorse everything that I have heard. It is very encouraging that we are now starting to look at how we decarbonise the flying itself.

I want to go back to some earlier comments that I think John and I made. Rest assured, on the ground in the airports, in terms of the direct emissions from operating the airports themselves, in recent years we have made lots of progress putting in electric fleets of vehicles, and putting in electric charging points for passengers who come to use the airport car parks. For example, at Gatwick we are putting in GRIDSERVE, which is a new electric forecourt where you will fill up your electric cars.

All of this investment is happening on the ground but we really welcome the work that we are now doing in partnership with the airlines. Today, with Sophie and Colm, you have two airlines that represent about 60% of the flying to and from Gatwick. If we can get this right with easyJet and with British Airways, we will make a lot of progress and these are key partnerships.



**Karl McCartney:** Indeed, they are, Stewart. I am sure you are providing enough bus drivers to transport your passengers on Christmas eve every year.

**Stewart Wingate:** We try to.

**Karl McCartney:** Thank you very much, Chair.

**Chair:** Thanks, Karl. Right, we have quite a bit to crack through and—as Ben raises his eyes to the heavens as to how long it has taken us to get to him—we want to go through the traffic light system, as was and will be, the financial barriers that remain, border readiness and the dynamics of aviation markets, so I am probably going to suggest that we are brief with some of the questions and answers and perhaps not take all of the participants in. Ben, with apologies, over to you.

Q28 **Mr Ben Bradshaw:** This will be quick, because I was going to ask you for your reactions to the Government's changes in the traffic light system and to say what would be a better model in your eyes, and you have already given that, which is the European one. Just shake your head if this is wrong but you prefer the system where there is no testing of vaccinated passengers, which is what is common in Europe, where there is no hotel quarantine and a much shorter red list, correct? Excellent. I think we could all agree to that.

Let me ask a few specific questions about how the system is going to operate in future. Why do you think the Government are taking so long to scrap the PCR test? The same private companies provide the lateral flow tests as provide the PCR tests. These companies are very nimble. There are lots of them out there. A lot of us use them on a regular basis. Have you been given an explanation as to why the Government have waited until late October to do this? No. Well, that may be something we can ask the Minister tomorrow.

Why do you think a country like South Africa that currently has a Covid rate of 39 per 100,000 is on the red list, when Israel, which currently has a Covid rate of 575 per 100,000—more than 10 times more—is on the green list?

**Colm Lacy:** One of the asks that we have is for transparency on the criteria used when moving a country onto the red list. It should be transparent. It should be clear and concise in terms of the metrics used, so that we can understand, because we don't actually have that transparency at the moment and that leads to consumers lacking confidence and to sudden changes that surprise both the airlines and the consumers. Mexico is an example: it was announced on a Thursday afternoon and then changed at 4 am on Sunday. We had 2,500 people in Mexico when it went from amber to red.

We would urge that we get transparency on that red list—what the criteria and the metrics are—so that we and consumers can monitor those metrics to assess the risk. That would give confidence both to the industry and to our consumers. We urge the Government to provide that.



**Q29 Mr Ben Bradshaw:** South Africa is a good example because its rates are very low. It is hopping mad about still being on the red list, and the rest of Europe is open to South Africa. It seems to be a pointless thing because anyone can come from South Africa into the rest of Europe and then come here. But you have been given no explanation for the red list or the continued presence of so many countries on it.

**Colm Lacy:** No. That is something we would urge you to ask in terms of transparency because it makes no sense, as you said. Germany doesn't have countries on the red list. We still have 54 and South Africa is a prime example. I understand the South African Tourist Authority was very disappointed with the announcement last week that it was included on the red list, so absolutely we would urge a review of that red list and that it not be left to wait until the new year.

**Sophie Dekkers:** Yes, just to add to that we looked forward to seeing the framework when it was going to be introduced and then the framework did not tell us anything. I would echo what Colm said. As an industry, if we knew what the metrics were we could all track them ourselves so then there would not be the surprises.

It builds on my earlier point about having a heads-up and being able to almost predict what is going to go red and make some action plans accordingly. We would ask for that transparency because, to your point, there does not seem to be any consistency in what is red and what is not red, and in the decisions that are being made. Within Europe, they do not have those restrictions on the same destinations. We have been asking for transparency on the metrics all along, and we just have not had it.

**Q30 Mr Ben Bradshaw:** To go back to the testing, you said something very interesting. I think you quoted a figure of around £50 for a lateral flow test. I have been getting them for £28 from a very good company, a DIY one, when I have been going to and fro. The prices are going up. I have noticed them going up. Is it your worry that, if the day 2 PCR test is simply replaced by lateral flow tests, the price will go up and it will not make any difference?

**Sophie Dekkers:** Potentially, yes. I think £28, £30, £40, £50—any of those price points are still too much for some people. That is going to have a significant impact on demand. As I said, particularly for short-haul travel and for short breaks, that will definitely still dampen demand, so until that is removed we will not see the recovery in the UK that we are seeing in Europe.

**Q31 Mr Ben Bradshaw:** The highest paid for a lateral flow test in Europe this summer has been €15. I don't know if you can beat that, can you? I have not heard of a lateral flow test costing more than that anywhere in the rest of Europe.

You have painted a very bleak picture of an industry whose recovery is less than half that of our continental competitors and that has suffered a worse summer than last summer in spite of the much vaunted vaccine



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dividend. What is your explanation for this because, as a former Health Minister, this must either be incompetence or a deliberate policy to encourage people to stay here rather than spend their money abroad? Do you have a theory as to why the Government have made such a hash of this?

**Sophie Dekkers:** We all have opinions, I think, but they are just opinions of why the Government have done this. We do not have any facts. We do not have a rationale behind it. It does not make sense. You are absolutely right. We were able to fly more last summer in the height of the pandemic without vaccination than we were able to do this summer.

The changes were so vast and so stark this summer and so frequent, and unexplainable that it just gave everyone complete uncertainty. You talk to anybody. You talk to our customers. They say, "Until I know what is happening and until I know testing is removed, I am not booking. I am not booking until next year now because I just cannot book with any confidence". I think it was the consumer confidence that was completely destroyed this summer and that has been the big challenge for us.

**Mr Ben Bradshaw:** Gentlemen, don't hold back. Theories?

**Stewart Wingate:** If you look at the difference between the recovery rates in some of the mainland European countries—and these are big competitors of ours—one of the clearest differences is that as their vaccination rates increased, still behind ours, they opened their borders without requirements for testing. That is what I think you are hearing from all of us.

What we would prefer is to follow suit and have no requirement either for PCR tests before day 2 or, for that matter, lateral flow tests before day 2. If that were to be put in place for fully vaccinated passengers—you still have to demonstrate that you are fully vaccinated but you do that simply through your travel pass—we see the demand recovers very, very quickly.

It is very simple from my perspective. We had a world-beating vaccination programme and for our industry, unfortunately, we have seen other competing nations on our doorstep simply beat us to the punch for the time being. Should our Government follow suit, which I very much hope they do soon, then no doubt we will all return back to being a world-beating industry punching above our weight, as we have done for many, many years.

Q32 **Mr Ben Bradshaw:** On vaccinations, famously, Angela Merkel would have been banned from coming into the UK because she had had two different vaccinations. Is it your understanding that that is going to change or is the Government still banning Europeans coming here who have had different vaccinations, while it lets people from other countries in who have had two different vaccinations? What is your understanding



of the change that is going to happen?

**Stewart Wingate:** That is why earlier in the evidence that I presented, one of the things I said that we should be urging our Government to do is to take a leadership position to try to harmonise the rules—including issues such as this—across all countries and take common sense measures where populations have been vaccinated using different vaccines or maybe a mixture of different vaccines.

Q33 **Mr Ben Bradshaw:** John, you are nodding there. Is it your understanding that the rules will change?

**John Holland-Kaye:** Yes. My understanding is that the mixed vaccines will be allowed as part of the new rules. The Government are trying to normalise as much as possible and take away some of the equivalent of non-tariff barriers.

If I come to your original question of what is the different approach in the UK, I would probably contrast the UK with the Netherlands. Netherlands Schiphol Airport—the biggest airport in Europe now, where Heathrow is down to being number 10—has just attracted this massive investment in sustainable aviation fuels. I think there the aviation sector and the Government work hand in hand to help support the growth of the country. They recognise they are a small country. They entirely rely on international trade and they want to punch above their weight, so they make sure that what is important to them in the long term, for airports and seaports, is protected and supported.

In the UK, we have taken for granted the leadership position we have had in aviation but, as we have seen, with even our strongest companies having been battered by Covid, we are in a weaker position to be able to recover to where we were, let alone move ahead. We need to learn coming out of this how vital aviation is to the economic future of the UK. We need to work more closely with the Government to help develop the benefits of aviation connections, connecting the whole of the UK to all the growth markets of the world through more long-haul routes through the UK's hub airport and better connections for every region of the UK into the UK's hub, so that everyone can benefit from those opportunities. That is the kind of active policy we need to make sure we are not outcompeted by a tiny country like the Netherlands.

Q34 **Mr Ben Bradshaw:** We will come on to border preparedness in a bit more detail in a moment, but I wanted to ask you, Sophie and Colm, about the burdens that you face as airlines. Of course, the Government have got you to do all the checks preboarding now. My last few journeys into Gatwick have been a joy because I have been through in seconds because you have done all the work at the departing airport. How much strain has that put on your staff? They are having to do an incredibly complex piece of work, often at the gate with irate passengers for whom the situation is so complex. The last three times I have come back, several passengers have been denied boarding because they have got



one thing or another not quite right.

**Sophie Dekkers:** We have had to invest in additional ground staff to process the amount of paperwork that is required to go through because the airlines face significant fines of thousands of pounds for each individual passenger who does not pass the checks and who we have then carried. The airline is carrying the burden of doing the checks and also the airline is facing the fines if we do not do that. While it is right that the checks should happen and we are not denying that they should happen, the fact is that we potentially face these huge penalties if a passenger is carried incorrectly. The burden is all on the airline with the fines that have been threatened to us as well and the investment we have had to make then in ground staff to make sure that it is as seamless as possible for passengers.

We look at our customer satisfaction scores. Overall they are okay. The biggest issue is at the bag-drop area when people are having their paperwork checked, because it is a big stress for passengers. There is enough stress on any passenger travelling right now and this adds to that.

Q35 **Mr Ben Bradshaw:** Has that got more burdensome recently? In my own experience, for example, I am normally asked for my passenger locator form or my negative test. Yesterday I was asked for both of those plus my vaccine passport, plus the proof of the email back from the day 2 PCR testing company with a reference number, which were all on the passenger locator form anyway. Are these new tests that the Government are requiring you to do in recent days?

**Sophie Dekkers:** Not as far as I am aware are they new, but they have always been a requirement. I guess it depends how thorough the individual is who is checking your paperwork. Those have always been a requirement.

It is burdensome. You are absolutely right. There are a lot of checks. People have their phones and they are flicking through different apps and different versions and trying to find the email where they have the confirmation of the tests and all the rest of it. On average, normally it would take 30 seconds, but it now takes six minutes to process someone. You can imagine the additional stress.

In a way, because the passenger volumes have been lower, it has been possible to manage it. But as we start to ramp up passenger volumes coming back, it will be a real challenge for the infrastructure at the airports because they are not designed for this sort of setup and also for the investment airlines have to now make to have enough people on the ground to help manage those queues.

Q36 **Mr Ben Bradshaw:** Does it surprise you that you have been doing all these tests and yet we are still seeing some of these horrendous delays, particularly at Heathrow—although not in my experience at Gatwick—on



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arrival when everything should have been checked before boarding? What is your explanation for that?

**John Holland-Kaye:** Would you like me to pick that up? Border Force at its best is a world-class service. The fact that you can be a British resident or European or American and use an e-gate is fantastic when it works.

The challenge I see with Border Force is that when we have peaks, when we have things that require a lot of manual intervention, it struggles to cope. We saw exactly that two weeks ago when, at the end of the summer holidays, a lot of families coming back could not use e-gates and there simply were not enough people on the desks to support them. E-gates had broken down with no engineer to fix them. All of this is entirely manageable. As airports and airlines, we manage this every day and no one would ever know it because it all happens smoothly. This is entirely fixable.

We need to get the Home Office and Border Force to focus on, first, better planning so that they can anticipate where the demand will be and the nature of the demand and can have the right resources accordingly—simple things like making sure they have people on the desks before queues build up and not afterwards because, if that happens, the queues never get going.

Secondly, they need to have the right level of resources. That is partly about having enough desks open, but it is also about the way in which they manage them. If a passenger is coming through whom they need to spend more time with, the officer will leave the desk to take a look at the passenger issues, possibly for hours, and while they are gone that desk is closed. That frustrates the rest of the passengers and builds up queues. No retailer would ever do that. They would always have a bench and would put somebody on to fill the desk.

Finally, on automation, we should be getting more low-risk countries using the e-gates that we have. It is a good service. We need to have engineers on the ground so that when they do go down, they open them up again. That should be the main way in which people get through the border. To do those things is not complicated and doesn't require a huge amount of resources. It requires good management and a bit of good planning and resourcing.

We can have a world-class border at Heathrow. It is the first experience people have of coming into the UK from all over the world and it should be a welcoming one as well as a secure one.

Q37 **Chair:** To finish off on border control—or more arrival times—and, John, staying with you since you have raised it before, what are the current waiting times for arriving passengers who transit through e-gates at Heathrow?



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**John Holland-Kaye:** For e-gates, it can be seconds. For passengers who are going through the PCP, the manned desks, it can be minutes. At the peak, it can be hours.

If we take the weekend I was describing at the end of the summer holidays, the queues for several hours were more than four hours. We had queues over a kilometre long for people to get into the immigration area. We had to keep people on planes while waiting for the congestion to clear. All of that was entirely avoidable had there been enough people on the desks on the day.

Q38 **Chair:** Have you estimated what you think your demand will look like in, say, just over a month's time when there are no PCR tests? Have you estimated that demand with the wait if things are as they currently are with regard to Border Force resourcing?

**John Holland-Kaye:** The end of the October half-term is the key moment when a lot of families will be coming back. I cannot tell you offhand what we think the demand might be, but we can come back to the Committee on that.

This is exactly where Border Force should be learning the lessons from the end of the summer holidays and making sure that every desk is staffed on that key arrival day. It is not complicated. It is easy to do. But we need Border Force to have that focus.

Part of the issue is that all of our businesses are focusing on the passenger: getting the passenger moving through quickly, putting them in control of their time, making sure they have a great experience. Border Force is not motivated to do that. They are motivated to stop drugs coming in, people-smuggling and people with false passports. They are not rewarded for getting people through immigration quickly and yet they should be because this is such an important gateway for the UK. We need to see that change in mindset take place in Border Force and the Home Office so that they are looking to give a welcome experience to the UK, as you would experience if you flew into Singapore, say. They are conscious of their role as an independent trading nation. They want to make it welcoming and get people through quickly, but there is no question that Singapore is a secure immigration border.

Q39 **Chair:** Sorry, Ruth, I know you wanted to come in on this as well, but this is the final point on our section on the Border Force aspect. Am I right in saying that families with children under 12 cannot use e-gates, John?

**John Holland-Kaye:** Yes, that is right.

Q40 **Chair:** Why is that? Can you assist me?

**John Holland-Kaye:** My understanding is that it is because the facial recognition technology does not work with children. The face on their



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passport may have changed significantly because they are in a growing stage. But that is probably a better question for Border Force.

**Chair:** Indeed. It would be fair enough if it rejects on that basis, but it may be that 90% go through because they have not altered since their passport. Okay, we will take that up. Sorry, Ruth. Was that on the same point?

Q41 **Ruth Cadbury:** Yes, I want to pick up on this issue of that August bank holiday weekend because there were five and six-hour waits at Heathrow and you were clear that you see this as Border Force's problem. Do you have any observations about why it was so bad at Heathrow? On that bank holiday Monday I came back through on the Eurostar and had no problems at the Gare du Nord, no real queues of any length—probably 10 minutes—and it was more complicated than usual because of the different things we had to show. Another member of this Committee came back through Gatwick Airport and was not experiencing the long queues. Why do we have this problem with Border Force at Heathrow, where there is far more space, and we do not have this problem at other ports of entry, John?

**John Holland-Kaye:** It is a good question. I am glad you had the experience you should have had at other ports. It is a good question for Border Force. Why are they not able to provide the level of service that passengers should expect coming through the border at Heathrow?

There are clearly some complexities. We are the main port of entry for long-haul flights, which tends to mean we have to deal with more complexities. But all of that is entirely predictable. You know who will be on the plane before the plane takes off so you should have the right level of resource to cope with that level of demand. We have the highest punctuality of any major airport in the world, so that should not be a reason why you cannot do it well.

We should be asking Border Force why they can't resource properly at the UK's hub airport. We should be looking to get people through immigration in five minutes or less. That is exactly the standard that Stewart and I manage our security operation to for departing passengers. It should be the same standard for Border Force. Instead, they set their own standards for queue times—25 minutes for EU passengers, 45 minutes for non-EU passengers—and recently they have suspended that queuing standard, which means that nobody is holding them to account for queues that get longer than that. That basic thing needs to change so that we can hold them to account for their performance.

**Ruth Cadbury:** Thank you.

**Chair:** Thank you. Depressing. All right. Grahame, did you want to come back on that or do you think we have covered it?

Q42 **Grahame Morris:** We have covered some of it, but I will ask this quickly



because I know time is pressing. Sophie told us about the importance of certainty for passengers. With the changes we have had in respect of the new travel arrangements and restrictions, I wanted to reflect on what happened when at short notice countries were put on the red list. I wonder if I might ask Colm about what happened with Mexico when all those passengers at short notice were forced—or felt it was in their interests—to repatriate to avoid compulsory quarantine in a hotel. Could you enlighten us a little bit about what happened there?

**Colm Lacy:** Yes, absolutely. The announcement happened on Thursday. We knew that we had 2,500 people mid-journey in Mexico. We as British Airways put on four additional flights—three to Mexico, one to Cancún—to repatriate those passengers. We contacted all the passengers immediately and then we moved their bookings. There are no change fees at the moment, but we honoured their existing fares so that the passengers were not out of pocket, although obviously they had to cut their journeys short. We also worked with our sister airline, Iberia, and also with American in terms of any seats they had so that we could repatriate passengers.

There was a significant cost because those four aircraft flew from London empty out to Mexico to bring those passengers back. We were recognising that a family of four that had gone to Mexico for a holiday was facing a bill for the best part of £10,000 when they landed. That was not enough notice and it was a surprise to everybody concerned.

Q43 **Grahame Morris:** Do you feel that the latest changes that have come about recently to the traffic light system are making an appreciable improvement on what has gone before? What would you like to see the British Government doing in terms of the restrictions and the conditions that are applied?

**Colm Lacy:** It was a step in the right direction but, as we have talked about earlier on this call, for me, for vaccinated passengers there should not be a testing requirement.

We don't think the red list is fit for purpose in terms of the number of countries on it. We do not see why the UK is the only country with forced quarantine for red list countries. Particularly then we would like transparency around why a country goes red so that we can monitor that and so it is transparent both to us as airlines and also to our consumers so they have confidence to go to a country and so that there is not a surprise.

To me, the day 2 testing requirement is unnecessary. It is not just about the cost but it is also about the friction that it causes and the uncertainties in the consumer's mind. Also, you are adding all those burdens in terms of the paperwork required and you talked about the impact on Border Force. Simplify our processes, make it easier to be done electronically so that the processes can be automated and so that



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our customers have confidence in flying, then they will have confidence that they will have a seamless experience at the airport when they arrive.

**Grahame Morris:** I do not know if anyone has a burning desire to add to that but, Chair, we have covered a lot of this. We had fulsome answers to earlier questions, which I appreciate, so I do not want to take up any more of the Committee's time if there are other areas we need to cover.

**Chair:** Grahame, you are always too kind, but not as kind as Greg, who has said something similar in terms of testing in that we might have already looked all the way through that. Is that a fair point, Greg?

**Greg Smith:** Yes.

**Chair:** Thank you. On that basis, Gavin, can we come to the last section, which is on the dynamics of aviation markets? This question is from you. Sorry, you have been caught out now.

Q44 **Gavin Newlands:** Having been glacial, we have accelerated to Formula 1 pace.

Looking at it from a regional point of view as well as from you at Heathrow and Gatwick, what are your predictions for the demand for travel for short-haul versus long-haul, for a start? Indeed, what are you planning for short-haul and long-haul? In fact, we should probably start with the airlines, so we will start with Colm on that basis.

**Colm Lacy:** In terms of guidance, we are forecasting that we will fly 45% of our capacity in Q3. We have not actually given an outlook in terms of what we expect demand to be for short-haul or long-haul as a group. Given the commercial sensitivity of forecasting future demand and revenue, we are not able to communicate that. It is sensitive.

Q45 **Gavin Newlands:** Go on. I can't tempt you. EasyJet tends to fly short-haul, but can I tempt Stewart or John to comment on what they perhaps envisage in terms of short-haul versus long-haul moving forward, certainly over the next year or two? Perhaps in three or four years we will reach the status quo compared to where we are now but, in the short to medium term, what do you think?

**Stewart Wingate:** During the course of the pandemic, we have increased our domestic connections to and from Gatwick by one additional destination. We now serve Glasgow, Jersey, Belfast, the Isle of Man, Edinburgh, Guernsey, Inverness, Newquay and Aberdeen. We are certainly connecting right the way across the domestic regions and nations.

If we look at the fundamentals of our business, 80% of our traffic typically is short-haul and about 20% is long-haul. About half of that goes to North America. If we look at our predictions for the coming few years, while we do think that the short-haul market will recover faster, we are seeing quite a lot of activity on the long-haul front. For example, JetBlue



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is starting services and new airline Norse will start flying Dreamliners to the US ahead of the summer season next year. Our predictions are that we will probably, at Gatwick at least, see a similar mix of 80% short-haul and 20% long-haul as early as next year.

I do stress, on the domestic front where there are no travel restrictions, we have exceeded the number of domestic destinations that we served pre-pandemic.

**Q46** **Gavin Newlands:** Thanks, Stewart. Do you have anything to add to that, John?

**John Holland-Kaye:** Yes. We have long made the case for extra capacity at Heathrow and the demand that sits behind it for both more domestic connections and more long-haul connections. What we have seen in the last 15 months, while our traditional airlines have not been flying, is a lot of that demand has come in.

We have seen significant growth in UK connectivity. We have seen 15 new airlines start operating at Heathrow during the pandemic itself, a lot of them to markets that we have not normally been able to serve. A lot of the cities in India that we have been cut off from we have been able to connect for the first time, which is a benefit for the UK. The question will be, as traffic comes back, as our established airlines start flying their slots, what will happen to those flights and whether we will be able to keep them in the UK or whether they will go to our European rivals, who can offer the hub connectivity and the feed from short-haul flights that they rely on to make their businesses work. Traditionally, they have gone to Paris.

**Q47** **Gavin Newlands:** Okay. If I can touch on business travel before I come back to regional connectivity and if I can get short answers from you, given where we are with the pandemic, the advent of Zoom and all these subjects that have been brought up thus far, where do you think we will be in one year's time or two years' time with regards to recovering business travel? I am not sure we will ever get to pre-pandemic levels. Maybe you can comment on that. I will come back to you, Colm. I can see you are looking concerned. Okay, John, then.

**John Holland-Kaye:** Business travel is probably about 20% or 30% of our customer base. Six months ago we would have said that we expect people visiting friends and family to be the first market to come back and then people on holiday and then business. We are actually seeing business starting to come back already. A lot of British businesses have not seen their customers for a long time. They need to get out there and make connections. They need to get out and sell. They can see their European competitors are able to go and steal customers from them. We will see business coming back and we will need it if we are to rebuild the UK economy to be as strong as we would all want it to be.



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**Colm Lacy:** I am afraid I will not give an outlook in terms of business demand, but it is important for BA and for the UK that we have a level playing field. We certainly do not want a more difficult flying regime and travel regime and restrictions in the UK. That encourages people to do business elsewhere.

It is a bit like the conversation about hub connectivity. The most important thing for successful flights for BA from Heathrow into the regions is that we have the hub operating at Heathrow. We talked earlier today about Heathrow being 10th and Paris, Frankfurt and Amsterdam overtaking us, which is not what we need for connectivity and is not what we need for business travel. To me, it is all about the friction and it is all about the restrictions that we have on travel. That will allow us to build back the connectivity in the regions and will show that the UK is open for business.

We know that the UK aviation industry alone provides £28 billion, if you look at the ONS report from 2020, in terms of direct contribution, but over £100 billion in terms of GDP when you start looking at the supply chain more widely. It is important that we have this change so that we can grow and be part of the UK recovery post-pandemic.

**Stewart Wingate:** From a Gatwick perspective, if I can share our insight into this, certainly we have seen strong participation of passengers who want to visit their relatives or their friends overseas, particularly across Europe but now they are starting to move into the long-haul markets. For example, we had WestJet and Air Transat come back into the Canadian market over the past few weeks. There is a strong demand for people to see family members or friends whom they have not seen for the best part of two years.

There is also strong demand there for leisure, but we are seeing the number of passengers travelling for business purposes recover quite quickly. This is because, if I now look to Europe, our biggest market, our European competitors have been travelling freely on business for many months now.

I would be interested in Sophie's comments. I am presuming that Sophie is seeing similar trends within the easyJet volume of passengers.

Q48 **Gavin Newlands:** Before Sophie comes in on that, I have two questions. If I can ask Sophie this one alone, regional aviation connectivity is important to Scotland. It is worth £4 billion—the same as it is to London, in fact.

What future do you see for regional air connectivity, in addition to the previous question? A concern across the industry is that a lot of the demand will be consolidated around the south-east at Heathrow and at Gatwick, which I am sure John and Stewart are not complaining about but other airports across the UK are concerned. What future do you envisage?



**Sophie Dekkers:** Even in the last 12 months, we have launched 11 new domestic routes. A lot of those were leisure but also backfilling capacity that did come out from Flybe and more recently from Stobart Aer Lingus. We do see that we play a fundamental role in being able to offer that connectivity from the regions. In terms of capacity and so on, we operated 99% of our domestic capacity volumes versus 2019.

Building briefly on the business travel point, it is interesting because if you think about business travel in a more traditional sense, definitely the profile of the business traveller has changed over the last 12 to 18 months but our proportion of business traffic is up versus pre-pandemic because leisure has been so suppressed by the testing regime. We have seen on domestic routes, in particularly our Belfast routes, a massive increase in construction traffic because construction has not stopped. We will see the profile of the business traveller very much on the manual work that has not been able to stop during the pandemic. Because leisure is so suppressed, it has made up a larger proportion, about 25%, of our passenger base whereas normally it is about 18% to 20%. That has very much a domestic focus.

As we think about the recovery, potentially the commuter traffic that made up a big percentage of our passengers—and probably did for British Airways on the London-Scotland routes as well—will be interesting. We would normally see Monday-Friday business travellers. We are still seeing the demand there but it is spread out across the week because people need to be in two or three days a week rather than five days. We are seeing higher demand on Tuesdays and Wednesdays than we did previously. If anything, the flying schedule going forward will have a slightly different profile because of the change in commuters. That was why we had seven or eight flights a day on Mondays and Fridays and we were lighter in the middle of the week. We are having to adjust for that, but that is an opportunity.

We do see the fundamental role that aviation still plays in regional connectivity when the rail line is still not efficient enough to be a viable replacement for a day return between London and Scotland. You cannot do that on the train. While that still exists and we do not have the investment in rail, domestic aviation travel definitely has a role. We and British Airways are part of that.

Q49 **Gavin Newlands:** Okay. Thanks so much. I am conscious that we have gone past 5 o'clock now.

My final question is to John. It has been put to me with regard to Heathrow's plans for next year that you plan on increasing passenger fees and you have a new noise category that even the modern next-generation aircraft cannot meet, which in effect means a doubling of landing fees at Heathrow. I think it is next year, but you can correct me if I am wrong. If correct, that will be good to recover Heathrow's balance sheets but are you concerned that it might stymie recovery in the sector itself?



**John Holland-Kaye:** We are trying to keep domestic charges pretty much in line with where they were previously. They are significantly discounted compared to European flights exactly because we want to support domestic flying and regional connectivity and feed into longer-haul routes. We see it as part of our role as the UK's hub to help connect all parts of the UK into global markets and our pricing strategy reflects that.

In terms of noise and sustainability, we are looking to use our charging structure to incentivise airlines to bring their quietest fleets to Heathrow and to start to use the sustainable aviation fuels we were talking about earlier. We are doing everything we can to make sure that the economic levers we have are helping to deliver the strategic goals of connecting all of Britain to global growth and decarbonising the aviation sector.

Q50 **Gavin Newlands:** To be clear—and I am sorry to press you on this—if it is a Boeing 777, an A380 or whatever else, on an international flight, the landing charge is effectively doubled. Is that right or is that incorrect?

**John Holland-Kaye:** Overall, our prices are higher for next year and that reflects the fact that we will have far fewer passengers next year and we need to be able to fund the massive investment we have made over the last decade in building Heathrow. It is fantastic value for money for airlines. You can see that in the demand for Heathrow and also the extent to which airlines are able to sell the slots that they have at Heathrow. We give them to them for free and airlines can sell them or they can securitise them, as some of the biggest airlines have done, and use that to strengthen their balance sheets. We do need to be able to fund the big investments we have made, which have transformed Heathrow from one of the worst airports in the world 15 years ago to one of the best airports in the world today.

Q51 **Gavin Newlands:** Thanks for that answer. I take it from the previous answers, Colm, you might not have a response to this, but do you have any concerns about the increasing cost at Heathrow or is it par for the course?

**Colm Lacy:** We are extremely concerned about any price rises that will have a detrimental impact on consumers. The majority of them have been prevented, as we talked about, from flying for the last 18 months. We need to keep an eye on charges. We have that ongoing conversation with John and his team. We urge them always to look at the consumer's interests in this and the CAA do this in terms of protecting their interests under the regime that we have in place.

Q52 **Chair:** Briefly, as we come to the end, should the consumer be concerned that the costs of travel will go up next year as your shareholders look to recover some of the investments that they have made?

**John Holland-Kaye:** Overall, the cost of travel will come down next year because the biggest burden falling onto consumers over the last year has



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been the cost of testing and all the extra measures that people take. Aviation will become more competitive overall.

I go back to my point. We need to be able to fund the long-term investment we have made in the airport. We provide fantastic value for money. We have a long list of airlines that would like to be able to operate out of Heathrow. We think this is affordable.

Of course, we want to get more people back flying. The more people fly, the lower our charges will be. That is exactly where we want to get to. We have a common interest with the airlines for doing that.

**Q53 Chair:** Are you concerned that you might see higher landing charges levied from the airports and that you will pass that cost onto the consumer, if not next year then the year after?

**Sophie Dekkers:** Yes, naturally we would be concerned about any rise in costs, as you would expect anyone sitting in my shoes would be. The reality is that we cannot pass the costs on to consumers. Consumers will pay what the market dynamics are. We cannot pass the costs on. We have to absorb it because we are operating in a competitive market.

Let's say the charges went up in one of the London airports that easyJet operated at. We could not suddenly then charge a much higher amount out of one London airport and have another one that was a lot cheaper because passengers have choice and will say, "I will fly from the airport that has lower fares". If you imagine you are searching for "London all airports" on the website, if you have the ability to travel, you will pick the one that has the slightly lower fare, potentially. We are limited in the ability to pass on that whole cost and it is very much driven by demand.

The only thing that would put fares up next year would be demand from consumers and the fact that we will not be at 63% load factor, hopefully, but will be at 90%. Then the fares will be higher on those last few seats because there are only a few seats left. That will be driving the pricing more next year than any airport charge increases that we would be able to pass on. Market dynamics determine the price in the market rather than what we can pass through to consumers.

**Stewart Wingate:** Chair, from a Gatwick perspective, we have a direct contract in place between ourselves and easyJet that sets out the charges to easyJet that we will commit ourselves to. We are certainly not looking to pass on any increase in airport charges to easyJet.

We also have contractual arrangements with British Airways. It would be good to see Colm participate a little bit more at our airport in the new year.

**Q54 Chair:** Absolutely. Stewart, you have talked about the fact that airlines have moved over to Heathrow but have kept their slots. At the moment the use-it-or-lose-it policy is not there. If that gets changed, are you still looking for Gatwick to expand and to have the second runway delivered



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that you were looking for in terms of the runway that is currently used as a substitute runway? Is that still on the table?

**Stewart Wingate:** At Gatwick we have our main runway, which we have used for many years, but we also have our northern runway, which is routinely used currently as a taxiway. If we are maintaining the main runway during the night-time hours, then we turn that on to be used as a runway.

One proposal that we are currently publicly consulting on is to routinely use those two runways, the existing main runway and the northern runway, together. We are publicly consulting on that as we speak. The public consultation will run until 1 December.

We anticipate that we will put in a development consent order to go through the planning process in the second half of next year. Hopefully as soon as 2024 we will have a Government decision supporting us to bring the standby runway into routine use.

If we get that planning permission, we will invest several hundred million pounds on the airfield and we should start to see the first commercial movements on the dual runway system by 2029.

Q55 **Chair:** Okay. Interesting. You might well be interested in our forthcoming report on infrastructure, transport and why it takes so long to deliver it through the system. John, will you be interested in that report? Are you still looking at a third runway for Heathrow?

**John Holland-Kaye:** Yes, absolutely. It is not just for Heathrow; it is for the UK. If we want to provide the benefits we have talked about, connecting all of Britain to global growth, providing the capacity for cargo as well as for passengers—we need an expanded hub airport. That is the only way we can take the battle to Paris, Frankfurt and Schiphol. Parliament voted for that a few years ago. We have paused that, of course, during the pandemic but we will be getting back onto that as soon as we can.

**Chair:** Okay. The last question is from Karl McCartney as a closing question.

Q56 **Karl McCartney:** I am not ignoring everything you have said to us today, but you are all hard-hearted businesspeople or, to be gentler to you, you are all commercially minded.

We have a senior politician in front of us tomorrow. If you had 10 seconds, what message would you want to send to politicians? It might be about fewer impositions, removing impositions or certainly not putting any more impositions on your business sector. Quickly, in 10 seconds each, we will go to Stewart, Sophie, John and then Colm, if that is all right. Stewart first, what is your simple message?

**Stewart Wingate:** It is very simple from me, Karl. First, remove the requirement for the lateral flow test on day 2 and reinstitute the slot



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utilisation rules for the summer season in 2022 to incentivise airlines to fly and to put competition and choice back in the market for the consumer.

**Karl McCartney:** That was longer than 10 seconds but succinct. I like it.

**Sophie Dekkers:** I agree on removing testing. That is not just for commercial purposes, that is for consumers. It is what they want and it is important for the recovery of the UK economy.

**John Holland-Kaye:** I have two points. First, make aviation part of the UK's strategic infrastructure and invest in it to help us compete. Secondly, speed up the moves to put a mandate in place and a price stability mechanism for sustainable aviation fuel so we can start competing to have a UK-based sustainable aviation fuel sector.

**Colm Lacy:** Have a level playing field with Europe on all testing and restrictions, transparency of any scheme, allow the airlines and airports to trade their way out and support sustainable aviation fuel.

**Karl McCartney:** Thank you all very much indeed. Back to you, Chair.

**Chair:** That was a great closing question. Stewart, Sophie, Colm and John, thank you very much for representing the concerns and giving the evidence on behalf of Gatwick, easyJet, British Airways and Heathrow. The inquiry will continue. Hopefully you will be tuning in when we speak to the Secretary of State tomorrow. We will no doubt put some of your points and questions to him and hopefully get the answers as well. For now, thank you very much for your time. We wish you and your workforce all the best in the months to come.