



Transport Committee

Oral evidence: [Coronavirus: implications for transport](#), HC 268

Wednesday 6 May 2020

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[Watch the meeting](#)

Members present: Huw Merriman (Chair); Ruth Cadbury; Lilian Greenwood; Simon Jupp; Robert Langan; Chris Loder; Karl McCartney; Grahame Morris; Gavin Newlands; Greg Smith; Sam Tarry.

Questions 48 - 112

Witnesses

I: Simon Calder, Senior Travel Editor, *The Independent*; and Mark Tanzer, Chief Executive, ABTA.

II: Debra Bowen Rees, Vice Chair, Regional and Business Airport Group; John Holland-Kaye, Chief Executive, Heathrow Airport Limited; and Karen Dee, Chief Executive, Airport Operators Association.

III: Tim Alderslade, Chief Executive, Airlines UK.

Written evidence from witnesses:

- [Heathrow Airport Limited](#)
- [Airport Operators Association](#)
- [Airlines UK](#)



Examination of witnesses

Witnesses: Simon Calder and Mark Tanzer.

Q48 **Chair:** Welcome to the Transport Select Committee inquiry on coronavirus and the implications for aviation. This will be a three-part inquiry. The first session today will focus on consumer issues. We will hear from representatives from our airports and the airlines. The second session will be on Monday 11 May and will feature Willie Walsh from IAG, British Airways. The final session will be on Wednesday 20 May and will feature unions, employee representatives, the Civil Aviation Authority and the Aviation Minister.

To kick off the first session today, I ask the witnesses, for the purposes of our *Hansard* recording, to identify and introduce themselves.

Mark Tanzer: My name is Mark Tanzer. I am the chief executive of ABTA, the travel association.

Simon Calder: I am Simon Calder, senior travel editor for *The Independent*.

Q49 **Chair:** Mr Tanzer and Mr Calder, welcome and thank you very much for being with us today. I will open by asking Mr Calder some questions with regard to the financial state of the airline and airport sector.

Last night, we had the disappointing news that Virgin is withdrawing from Gatwick and making staff redundant. We heard the same from BA. Across Europe, airlines are getting bailouts in the billions from their Governments. In the UK, this does not seem to be occurring. Do you believe that airlines should be asking Government? If so, do you feel that Government should respond positively?

Simon Calder: What has created the extraordinarily successful aviation industry that we have enjoyed as a nation until about two or three months ago is flourishing competition. The UK has always been in the forefront of opening up the skies and encouraging what turned into ferocious competition between low-cost airlines such as easyJet, Ryanair and Jet2 and the long-haul players such as Virgin Atlantic, all of whom are challenging British Airways, as well, of course, as hundreds of other competitors.

I am not seeing any evidence that there is a need for these very strong airlines, which have become so by delivering great service and providing very good value fares for hundreds of millions of people, to have a bailout. I am not convinced there is a need for a bailout. Certainly, as somebody who has observed all the way through, from the times when every country had its own national airline, along with a national flag and a national beer, I think from the consumers' point of view we have been extraordinarily well served by flourishing competition. I am not sure that state intervention would help in the UK, although clearly the assistance given to foreign competitors could well put British carriers, and indeed



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Ryanair, which is so important for British consumers, at a severe disadvantage.

Chair: We are well aware, and in fact the industry's own figures show, that it is sitting on £7 billion-worth of passenger refunds. My colleague Greg Smith has a question about refunds.

Q50 **Greg Smith:** I am sure that every member of the Committee, and probably every Member of Parliament, has a lot of casework of people coming to us who have booked holidays and flights and have been unable to get refunds. They have largely been given credit notes for future holidays. Do you think the sector has done everything it reasonably can to get refunds out to consumers?

Simon Calder: Certainly not, I am afraid. Frankly, I have been appalled at the behaviour of airlines for whom I generally have the highest regard. I am playing lockdown refund bingo at the moment. I am owed money by a whole range of travel providers, including easyJet, British Airways, Ryanair, TUI, P&O Cruises and GWR, who at least had the kindness to say that they are working on my case. The only number that has come up so far is Premier Inn.

To tackle the two leading airlines in the UK, British Airways and easyJet, both chose, at the start of this very sad situation, to remove the online refund option. In their communications, I will not say that they have concealed the fact that under European passenger rights rules everyone is entitled to a refund within seven days, but they have certainly made it very difficult. I have had dozens of people getting in touch saying, "I was tricked into accepting a voucher, when in fact I just wanted my money back." EasyJet have now rolled back on that a bit, but I am afraid that British Airways, if you follow the trail from your email saying that your flight has been cancelled, will take you straight to the "Get a travel voucher here" page. It is quite difficult. You have to phone up to get an actual refund.

Compared with some other airlines, particularly European carriers, that is relatively good. They are simply saying, "No refunds. Have a credit note valid for 12 months and we will try to give you the money back at the end of that year."

Q51 **Greg Smith:** It would be interesting to hear Mr Tanzer's view as well. We have a split between those who are due a refund directly from the carrier and those who have booked through a travel agent, where the position is that it is for the travel agent to issue the end refund to the consumer. Also thrown into the mix are the credit card companies. I have heard of cases where, unable to get a refund direct from the company, American Express has been particularly good at simply getting money back to consumers where the flight or holiday has been booked on a credit card.

Is there some profiling of the split between who is owed what from whom, and whether there are any particularly good examples where companies or credit card companies have delivered for consumers?



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Mark Tanzer: There is a very important distinction to be made between the tour operators, who basically put together flights and accommodation, and the airlines. One of the important points of distinction is that, under the package travel regulations, package holidays are protected, so there is protection in the event that the company should fail. In the UK, it is the ATOL scheme for flight packages or ABTA for non-flight packages, so there is consumer confidence that whatever happens they will get their money back.

That is not the case with the airlines. They have an obligation to refund within seven days. We are very keen, as ABTA, that they fulfil that obligation. Vouchers from airlines do not have any protection. They are basically an IOU to the customer that says, "At some point in the future you will get your money back or a rebooking." If the airline fails, and we see the pressure that airlines are under, there is no security for customers in that situation. Of course, it is often really the same money flowing down the chain.

One of the things that is making it very difficult for tour operators to refund customers is that they have not received refunds from the airlines. The money has gone through the tour operator to the airline but has not come back from the accommodation providers. That has created a real cash crunch for the travel agent/tour operator sector, which is not in a position to give refunds within 14 days because the money has not come back from the other suppliers.

Simon Calder: It is important for Members to understand that travel is not like other industries. It is basically selling dreams. You commit your money months in advance, and you take delivery only when you turn up at the airport. Therefore, it is absolutely critical that you know, as a consumer, that you are either going to get the trip you paid for or you are going to get your money back. There is simply no interest in anything in between.

You asked for success stories, but I am afraid I have to say that they are pretty thin on the ground, whether you are talking about people trying to get money back from airlines as individuals who booked direct, or from agents who have sent the money off to a whole range of airlines and are waiting to get that back, or indeed from the package holiday companies that are saying anything up to 90 days—three months—which is about six times longer than the law obliges them to do.

There are very few cases. I can name Trailfinders. For the last 50 years, they have basically kept customers' money in a trust account and they only pick it up after the person has travelled, which means they can hand back money fairly easily. As opposed to the sorts of rules that apply in estate agencies, where of course no solicitor would touch a client's money, or indeed in many other businesses where clients' money is regarded as sacrosanct, an awful lot of trading goes on in the travel industry using customers' cash.



Q52 **Greg Smith:** Leading on from that, the last question from me is probably the most difficult one. What needs to happen next, either in the industry or from Government?

Mark Tanzer: When the Government issued their travel advice against all travel, effectively in mid-March, it created a complete shutdown of the travel industry's revenues. It also triggered worldwide cancellations. Under the package travel regulations that means refunds have to be paid. This is a crisis that the industry has never seen, and the legislation was not prepared for it.

We saw a range of different behaviours from travel companies. We saw some companies saying, "Well, we're not going to pay any refund at all because this is so extraordinary that the contract is basically null and void." We do not agree with that. We saw companies saying, "We'll pay you a partial refund. We'll pay you the bits that we can get back, but you will have to go to your travel insurer or the airline because we can't recover." We saw people issuing deferred credit, saying, "We can't give you a refund now, but we'll give you a refund in the future."

At ABTA, we stepped into the middle of that to bring some kind of order. We made it very clear that our members have to give a refund. There is no doubt about that under the regulations. They need to engage with customers and not ignore customers. We also recognise that most of them are not in a position to give that within 14 days, which is what the rules say, so we issued guidance that said refund credit notes should be issued. They have to be of a defined time limit, by the end of which the customer can have a cash refund. They are for the original amount paid for the booking and, very importantly, they are protected by the ATOL scheme and by ABTA, so that, in the event that the company should fail before the refund credit note is cashed in, the customer would still get their money back. That was a way of trying to bring some confidence to the middle of that market.

The advantages, of course, are that not only will the companies have a chance of surviving—there are companies at risk—but the customers will get their money more quickly. If the companies fail, the length of time it will take for customers to get their money through the official schemes and the ATOL scheme will be many months. We thought that, if we could encourage people to take protected deferred refunds, that would be the best possible solution.

The ATOL scheme is by far the majority of those refunds because they are flight bookings. We engaged with them very early. We had verbal confirmation that the existing terms of the ATOL scheme cover the deferred refunds, and the payment policy of the Air Travel Trust fund absolutely confirms that. It is really important that the CAA comes out and says that explicitly. We believe it is the case. Legal advice says it is the case. For whatever reason, the CAA has not said that. That means customers are not sure whether or not the deferred refunds really are protected.



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You ask what Government should do. The first thing they should do, through the CAA and the ATOL scheme, is to say, "Yes, we are standing behind these deferred refunds." It is in everybody's interest that people have confidence in that scheme.

Simon Calder: It is worth explaining to hon. Members that there is some controversy within the industry about the validity of refund credit notes, and I think everybody would wish for some clarity from the Civil Aviation Authority over the exact financial protection.

There is a role for Government in two ways. In the short term, there are hundreds of thousands of people who work directly or indirectly in aviation, and more widely in travel, whose jobs are under threat. According to the British Airline Pilots Association, so far 23,000 people directly employed in aviation have been told they will be losing their jobs.

Just as we have a flourishing aviation sector, so we have had a fantastic range of options, from tiny specialist operators to the giant package holiday companies, and I, as a consumer, want to see as many of those survive as possible. As a taxpayer, I would rather not have to pay out for them if they were, sadly, to become unemployed. I think the Government need to look specifically at the travel sector and say, "What do we need to do in terms of injecting extra liquidity, so that perfectly good companies who have been trading well for decades are not closed down as a result of this?"

Longer term, there needs to be a lot of consideration about whether we should look at the whole model afresh and decide that customers' cash should be protected rather than them having the grief, the stress and the anxiety I am hearing about from so many people. They are saying, "Help, I have had my pay cut. I want my money back from my trip that hasn't gone, and my travel agent says someone else has got the money and they can't get it back."

Q53 **Chair:** Mr Tanzer, I was going to ask about your call to Government to allow refund notices to be applicable, in the same way as other European countries have done, but it sounds as if your advice to your members is to proceed on refund notices in any event. Therefore, what role is there for Government to play when you have taken that action yourself?

Mark Tanzer: If I may correct you, that is not our advice to members. We think refund credit notes are a very important part of the solution, for the reasons I have just given, but we have never said that customers are not entitled to a cash refund. We think that is a very important part of it. We are completely in line with the Competition and Markets Authority that that right exists.

We have asked the Government to extend the 14-day window in which refunds should be paid because we want to give companies a bit more breathing time to be able to pay those cash refunds. We have given lots of evidence to BEIS, which is the Department that oversees the package



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travel regulations, to justify why that is important. They have not seen fit to move yet, but we think that is still a very important step they could take to help.

The right to a cash refund is still there. Customers should talk to their travel providers, if they really do not want to accept a refund credit note, about why they cannot have a refund immediately and when they will be able to get a refund. The obligation is still on travel companies and ABTA members to pay that as soon as possible. How soon that is depends on the individual company's circumstances, but it should be fair. That is what we have been saying to our members.

Q54 **Chair:** Thank you for clearing that up. On that basis, what will happen to your industry if refund notices are not the way forward?

Mark Tanzer: If people lose confidence in refund credit notes and everybody drives for the cash now, I think there will be a real problem in the travel industry. As Simon Calder said, you will see a lot of travel industry companies fail. I am talking to them already. People whose businesses may have been running for 20 or 30 years are on the point of closing down. Others are literally working 18 hours a day to try to keep thousands of employees in a job.

This is not crying wolf. It is what will happen because there is no cash there until it comes back from the suppliers. I am very fearful not only that it will damage the sector but that it will not be in customers' interests. It will take them a long time to get their cash back. It also means that the recovery will take a very long time because the travel companies will not be there to pick up demand when it comes through for the future. It is in nobody's interest for the travel companies to fail at this point.

I can understand why the Government do not want to move the 14-day window. That is a difficult political decision. It is a consumer right—it is in law—and you are trying to balance the pain of people who want their money against the pain of people who are going to lose their jobs. That is a very difficult political decision. Frankly, if the Government do not want to do that, the way to save travel companies and jobs is for the Government to intervene directly at some point, through a properly administered system, to say, "We will prepay those refunds where the company cannot pay."

The advantage of that is that the company will still be there to administer them, because the Government are not in a situation where they could do it. The company will survive, so the refund could be repaid to the Government, through higher passenger charges on a user pays basis. The companies that need to draw on Government assistance will pay it back, so it is fair, and the customers will get their money. If the Government walk away from this altogether and there is a big demand for cash—we are talking large numbers, and our estimate of prepayments already in



the system is £4.5 billion, so these are not small numbers at all—that will knock over an awful lot of travel companies.

Chair: Thank you. We are now going to look at the implications of quarantining airline passengers.

Q55 **Grahame Morris:** We all agree that public safety is paramount for the protection of passengers, the travelling public and the staff who are operating in the industry. There are a number of measures that can and perhaps should be applied in relation to screening, testing and social distancing. I want to ask particularly about quarantine provisions. We received representations just yesterday from the Manchester Airports Group that indicate they are going to be trialling some new public safety measures at Manchester, London Stansted and East Midlands airports in relation to social distancing and staff wearing coverings and gloves when they interact with passengers.

Mr Tanzer, in relation to compulsory quarantine arrangements, how could the travel industry mitigate the economic effects of a compulsory two-week quarantine period for travellers, either returning to or arriving in the UK?

Mark Tanzer: First of all, may I say that the industry stands absolutely foursquare behind the health advice? We have always had the position that, whether it is security or health issues, the Government take the lead. If the Government's quarantine is the way to go, we will follow and work with that.

To mitigate it, it would be good to know what quarantine is. It is not clearly understood what that term will mean for a customer. Is it a lockdown in your own house? Is it continuing to follow social distancing rules? It is important that we are clear about that, and how it fits with other public health measures that we are already taking, not just social distancing but testing. We have talked about apps. How does it fit into an overall lifestyle picture that people can understand and then make decisions about travel?

Any kind of restrictions on what people can do when they come into the country are going to have a detrimental effect on travel. That is clear. People will be reluctant to make business trips or short trips if they feel they are going to have to be isolated.

We will live with it if we understand what it is. The Government need to work very closely with the industry on the logistics. If you arrive back at an airport and are immediately quarantined, how do you get home? We had this with some of the early repatriations. People said, "Well, I am in quarantine, so are you going to put on a bus to get me home, or am I going on public transport?" We need to think through all of those, and how testing could help either to mitigate or to alleviate some of the consequences of quarantine. Until we know exactly what the Government are contemplating, it is difficult for the industry to say how we would specifically react to mitigate it.



Simon Calder: I have done quite a lot of work on how I think things could work. If, as has been discussed, 14-day mandatory self-isolation at home were to happen in the UK, it would effectively wipe out overseas travel for British people for as long as it prevailed. Who is going to go to Benidorm for a week and then have to face two weeks of self-isolation at home while lockdown is gradually eased for everybody else?

There is also a lot of controversy about the effectiveness of various measures, with the international health authorities really not being convinced. If I may take you very briefly through the airport journey, the first thing is that Air Canada has said that everybody has to have a temperature check before they get on an aircraft. Everybody has to have a mask, and that needs to be worn through the airport journey. That is something that Manchester Airports Group, which represents Manchester, Stansted and East Midlands, is doing. Once on board the aircraft, you will probably have to wear a mask. That is increasingly being insisted upon by many airlines worldwide.

All of us, I think, have seen the pictures on social media from the Aer Lingus flight from George Best Belfast City to Heathrow on Monday. It is pretty clear that social distancing and passenger aviation are mutually incompatible. They simply do not go together. It is all about confidence.

The World Health Organisation and the European Centre for Disease Prevention and Control are not enthusiastic about the use of either masks or temperature checks because they can give a false sense of security. They say that it is much better to provide information. If I can make an appeal to everybody, the two best preventive measures for anybody who is contemplating a flight are to keep washing your hands and, if you feel remotely symptomatic, not to go anywhere near an aeroplane or any other form of public transport.

Chair: Do you want to come in again, Mr Morris?

Grahame Morris: I had some supplementaries, but Mr Calder covered them adequately in his answer.

Chair: On that basis, let us move to the future for consumers and, indeed, for travel agents.

Q56 **Robert Largan:** We have already talked about airlines and refunds. I want to focus on travel agents. It would be interesting to hear from Mr Tanzer what extra support you think is needed to make certain that travel agents, and the huge number of jobs in that industry, are still there after the pandemic.

Mark Tanzer: There are three levels. The underlying appetite for travel is still going to be there, and may even be intensified after lockdown, but people need to have places to go. The Foreign Office has a role in this to make sure that its travel advisories are accurate and up to date. Clearly, destinations are going to open up at different rates. We are already working with them to understand what restrictions are in place and what



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the health provisions are if someone gets ill. There is very intense work for the Foreign Office so that people are confident that they can travel safely to the places where they want to go. That is the first thing. The second is that you need to have travel companies. These are the things we have talked about already in terms of helping them to get through the cash crisis of refunds. Quarantine is very important.

The other thing the Government can do is to look at how the furlough scheme works. We are grateful to the Government for the early intervention of furlough. For the travel sector, it has not been an unqualified success. The reason is that we need people working. To have a binary situation, where they are either completely off work in order to qualify for furlough or they are on, does not work. To deal with refund requests and help customers, a more tapered furlough scheme—the Chancellor’s term—where 50% could be paid by the Government and 50% by the company would help to get people back to work while we are building up the book of business again. That would be helpful.

The third thing is customer confidence. There is no doubt that it will have taken a knock over this. The travel insurance market has pulled away completely from the sector for risk management reasons. The Government need to work with the insurance industry, with the ABI, to bring them back and to give customers cover when they are travelling and give them confidence. That will help travel agents.

The general system of financial protection needs review. We have called for the Government to look at the whole question of airline insolvency and the protections that are available if an airline fails. We have seen now that airlines can fail and are at risk of failing, and there is no consumer protection. When we are through the immediate crisis management, we need to look at some of those longer-term structures. All of that—the Foreign Office advice, getting the companies through and rebuilding consumer confidence—will be what helps travel agents most.

Simon Calder: I absolutely sympathise with the plight that so many travel agents and tour operators are in. I have spoken to a great number of them. They are in an almost impossible situation, very often working from home with a laptop and a mobile phone. They have turned from people who were sending over 40 million British holidaymakers away a year to organisations that are basically trying to hand back money with one hand tied behind their back. It is an awful situation.

They want to start selling holidays again. I certainly want to start booking holidays again, but there is one real obstacle, and that is the present Foreign Office advice: “We advise against non-essential travel anywhere abroad indefinitely.” That is having several effects. First of all, of course, it means that anybody with a holiday booked in July, August or September is saying, “Hang on, I would like my money back too, because the Foreign Office says, ‘You can’t go abroad,’” which is not the case. Secondly, it does not instil confidence in anybody who is thinking, “Yes,



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I'd love to book an autumn break but the Foreign Office says, 'Don't go abroad.'"

I have written to the Foreign Office, saying, "Please, can you be more nuanced in your travel advice?" I want them to recognise that this advice, which was brought in first of all because of the number of international flight bans, should mirror the way there is de-escalation abroad, and they should start coming back with specific advice on specific countries.

Q57 Robert Largan: Both of you touched on confidence, and that hits the nail on the head. There is no doubt that confidence has been massively impacted. This is a very difficult question to ask, but what does the future of the travel industry look like after this pandemic? How are we ever going to get back to the position we were in pre-crisis?

Simon Calder: I think it looks pretty good. Humanity has shown over the years that we are adventurous and curious. We are restless, and we want to go and explore the world. Thank goodness that in the past 25 years, since the start of the no-frills aviation revolution, we have unlocked all the possible frontiers that we could and have had wider horizons than ever before.

Tourism is an extraordinary force for good worldwide because it tends to transfer wealth from richer countries to poorer countries and create millions of jobs. I have no doubt that, were we to reconvene in 10 years' time, we would, hopefully, be talking about a more thoughtful travel industry where the condition of the planet gets a lot more respect. We have already seen the old gas-guzzling 747s at British Airways and Virgin Atlantic effectively being sent off to the breaker's yard.

I am optimistic that we will enjoy travel and that we will be more thoughtful about it. I hope we will appreciate it much more. In my case, my passport has seen no action whatsoever for longer than I can ever remember. Of course, travel and the industry of human happiness is all about optimism. I guess the same applies for the politics industry.

Mark Tanzer: I echo Simon on that. It will come back; the appetite is there. We will see how long it takes to rebuild and the impact of social distancing on the economics in the short term. Nobody can tell how that is going to work through.

Before this all happened, the big challenge facing the industry was sustainability. It was the environment and carbon targets. Those challenges have not gone away. We do a lot as ABTA. We are part of Sustainable Aviation to help meet the Government's carbon reduction targets. We are very aware that customers are looking for socially and environmentally responsible holidays. We will carry on the work we do with destinations in that line.

In some ways, if one is looking for any kind of silver lining to the very big cloud we are under, where you have seen cities that were perhaps



suffering stress from tourism and overcrowding, infrastructure and residents have had a breather. Maybe when they come back they will say, "Actually, we want to do this in a more managed way that works for consumers, customers, passengers and residents, and for the planet." That is the hope we have; in fact, it is a necessity. Although we are working our way through the coronavirus, we have not taken our eye off that long-term challenge.

Q58 Chris Loder: I am particularly interested to hear Simon's view on whether the major airlines—BA, Virgin, Ryanair and others—are now in a competition to get Government funding. Are we seeing the threat of redundancies as a threat to the Government in order to get that funding? I would be very interested in your views.

Simon Calder: Mr Loder, thank you for your question. No, I am not detecting that at all. Let me separate out, if I may, Virgin Atlantic. It has made it absolutely clear that it would really like half a billion pounds as a Government loan. That, of course, is a matter for the Chancellor and the rest of the Government to decide on.

What is happening is that there is a massive turf war going on. Ryanair has spoken out very strongly against any kind of state aid, as it always has. It sees itself as the great free market challenger and has always deplored any form of state aid, except, it must be said, where regional aid helped it to launch operations. I am not sure that anybody is above helping themselves a little to some taxpayers' money here and there.

The redrawing of the aviation map is going to concern an awful lot of people. Once Ryanair starts again, it will be far smaller than the 150 million passengers a year that it was previously carrying. However, it will absolutely see this as an opportunity and, bluntly, it will be waiting for other airlines to fail.

At easyJet, it has said that it is going to be either maintaining pretty much the same fleet, and therefore level of operations, or possibly shrinking by up to a sixth in the next few years, but it will be looking for opportunities. Wizz Air of Hungary, which has a very active UK operation, announced yesterday—just as Virgin was saying it was, sadly, having to lose over 3,000 staff—that, guess what, it had half a dozen new routes starting as early as 16 June to Faro in Portugal from Luton.

The IAG discussion that you are going to have with Mr Walsh on 11 May is going to be very exciting. British Airways has deplored the use of taxpayer cash in the UK context, but of course, like other airlines, its employees are benefiting from the furlough arrangements. Furthermore, as has been widely publicised, the Spanish sister airlines to BA—Vueling and Iberia—are most certainly being helped by the Spanish Government.

We are talking about a whole new landscape. Gatwick is going to suffer very heavily in the short term. I think we will come back with an equally



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robust aviation industry, which will be a huge benefit to the British traveller.

Q59 Chris Loder: You will recall at the beginning of the lockdown that we saw great difficulties with British citizens being stranded abroad who had tickets they had paid for. Indeed, there were some examples, particularly with British Airways, where citizens' flights were cancelled. They rebooked and, in some cases, paid thousands of pounds. Those subsequent flights were also cancelled. Do you feel that the airlines, in particular British Airways, in effect left British citizens abroad as a negotiating point to get Government funding for commercial support to bring them home subsequently?

Simon Calder: No, I have seen absolutely no evidence of that. I imagine that the airlines would deplore any such suggestion.

Chris Loder: Indeed.

Simon Calder: There have been, of course, millions and millions of cases in which people have been let down by airlines. One of the consequences of that is that three months down the line, when finally airlines are back and their customer service departments are working once again at full power, we will see countless examples of people saying, "Hey, you left me here. I had to spend £2,000 to get home and I want that money under the European passenger rights rules." There is going to be an awful lot of squabbling over cash. I hope that the Government will be giving guidance and that they are firmly on the consumers' side.

Q60 Chris Loder: Have you seen any evidence of considerable dividends being declared, or bonus payments being given to board directors or chief executives, in the last three months or so?

Simon Calder: Famously, of course, easyJet announced that it was freezing its activities at pretty much the same time as it was paying, I think, £174 million in dividends to shareholders.

Chris Loder: Could you repeat that amount? I could not hear it.

Simon Calder: I believe it was £174 million. I can check that and write to the Committee to make sure it is correct.

Chris Loder: I would appreciate that. Thank you.

Simon Calder: There have been individual responses. For example, Michael O'Leary, the chief executive of Ryanair, has halved his pay, but he still gets slightly more than the average Ryanair employee.

Q61 Karl McCartney: This is a question directly to Mr Calder. You may have covered it perhaps in your answers to the most recent questions. You talked a little bit before about liquidity for airlines.

There is £7 billion. Customers who have not received their money back would like to know why they have not received the money back. In your view, where is that money? What are the airlines doing with that money?



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Are they investing it and making more money from it? Is that why they are not paying it back to customers?

Simon Calder: We have 90 seconds, so let me see if I can deal with that. The money is all over the place. A lot of the money is residing with airlines. Travel is a cash-positive business. You take money in, and you do not deliver the service until weeks or months afterwards.

The whole wider travel industry has been used to that. A typical tour operator will have paid up front to the airline to do the summer's flying. The airline itself will be using that money to pay aircraft leases while the fleet is grounded and there is no extra money coming in. It has been described as embezzlement and a Ponzi scheme, but I would simply characterise it as the way the system works. The cash goes all over the place, and ultimately it is the customer who is left wondering when they are going to get their money and where the heck it is.

Karl McCartney: Thank you for that short answer.

Chair: I am afraid we have run out of time, which is a great shame because I know other Members had points they wanted to mention as well. We have covered a lot of ground. Mr Calder and Mr Tanzer, thank you both very much indeed. Mr Tanzer, we wish your members all the best at this challenging time.

Examination of witnesses

Witnesses: Debra Bowen Rees, John Holland-Kaye and Karen Dee.

Q62 **Chair:** We now move to our second session, which will focus on airports and airport operators. For our *Hansard* record, could I ask the witnesses to introduce themselves?

Debra Bowen Rees: I am Debra Bowen Rees, vice chair of the Regional and Business Airports Group. I am also CEO of Cardiff Airport.

Karen Dee: I am Karen Dee, the chief executive of the Airport Operators Association. We are the trade body for UK airports.

John Holland-Kaye: I am John Holland-Kaye, the chief executive of Heathrow Airport.

Q63 **Chair:** Welcome to you all at this very challenging time for your operations. We are grateful that you have given us the time.

I want to start specifically, if I may, with a question for Mr Holland-Kaye. I believe that you wrote to the Secretary of State for Health, Matt Hancock, on 23 April asking for clarification as to why the UK Government do not feel that temperature testing works, in contrast to other countries and airports around the world. Have you had a response to your letter? If so, what is it telling us?

John Holland-Kaye: No, I have not yet had a response. It would be useful information for us all to have so that, as we look ahead to what a



common international standard that would allow people to fly might be, we can see whether temperature testing will play a part in that or not.

Q64 **Chair:** In addition, perhaps in the same communication, but certainly to the Department for Transport, you have called for the UK to take leadership when it comes to common health standards, in the same way as the UK has for aviation safety standards. Have you had a response to that?

John Holland-Kaye: I have not had a direct response to that, but I can tell you that the first meeting of a committee that has been assembled by the Department for Transport, which includes people from across the aviation sector, is this morning. That will be a good start. I look forward to seeing what comes out of that.

This is the key issue for getting aviation working again. There are measures that we know we will need to take to make sure that anyone travelling through the airport has very low risk of contracting any virus. The key issue is whether they will be allowed into the country they are going to and whether they will be allowed back again. For that, there needs to be a common international standard. It needs to make sure that, in a world where the risk of transmission in the community is very low and people are starting to open their borders again, we can agree a common basis on which we will allow people from Spain to come to the UK and people from the UK to go to Spain without the need to go into quarantine or some other measure that would completely kill the travel sector.

That is where the focus needs to be, because, until we have that kind of measure in place, we will not see the aviation sector coming back into growth. We will not be able to get the UK supply chain moving again. We will not be able to get tourists and students coming to the UK to spend their money, nor will people be able to go on their summer holidays.

Q65 **Chair:** My final question is this, and again I will limit it to Mr Holland-Kaye purely because I picked up your article in the *Telegraph*, which, I guess, added to the letters. I get the impression that you are putting out a clarion call for your industry and that perhaps you feel the Government are not doing enough to support you. Is that a fair point?

John Holland-Kaye: We definitely need to see the Government taking a lead. Aviation is not just some other economic sector. It is the strategic sector for the UK. Many businesses up and down the country rely on long-haul flights, many of which go out of Heathrow, to get their exports to global markets. They also rely on those same long-haul flights to bring in critical parts for their manufacturing process, with a just-in-time supply chain. Unless you get those flights moving again—passenger planes with cargo holds—we will not be able to get the UK economy rebooted. That is why it is so important that the UK Government, like other Governments, act quickly to protect their aviation sector and make sure we get aviation moving again as quickly as possible.



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It is right that the UK takes a lead. We have the third biggest aviation sector in the world. That means we have a voice. It means that, when we ask people to come together, they will do so and they will listen. In fact, you are absolutely right that we have been trying to take a lead to get other countries and the rest of the aviation sector to think about this. We have been speaking with the European Commission, our partners in our trade bodies and IATA. I chaired a meeting last week of the chief executives of some of the big hub airports around the world to share their experience— places like Los Angeles, Hong Kong and Sydney—so that we can together try to come up with a common global standard for how we do health screening.

What we saw in the close-down period during March was that each country came up with its own policy, based on very little information about the nature of the disease. That led to a rather haphazard approach, where people see different measures in different airports around the world. As we come out of this, we need a common way of doing things.

Just in the UK you can already see that airports and airlines are starting to introduce their own measures. If that happens in an unco-ordinated way, not only will it not tackle the issues that it is intended to do but it will add to more confusion among passengers. That is why the UK Government should take a lead, particularly with their partners in the EU and the US, to develop a common international standard for health screening.

Chair: Thank you. We will return to that theme, but I will hand over to Gavin Newlands to bring in our other two witnesses on the financial support required for the sector.

Q66 Gavin Newlands: The Chancellor and the Transport Secretary both suggested—in fact, more than suggested—that there would be a bespoke support package for aviation, and then seemingly changed their minds. The Scottish Government have given aviation-related businesses a full year’s worth of business rates relief. Many airports I have spoken to have said that is worth as much to them as the job retention scheme itself.

My question to you all would be, are the UK Government’s general business support package measures enough to save the aviation industry and, crucially, enough to prevent job losses on a massive scale? If not, what more can be done?

Debra Bowen Rees: It is a really important question for all of us. It was the biggest question that we were asking Government when we first went into the crisis. I am going to talk particularly now from the perspective of the smaller airports.

A lot of those airports, prior to Covid-19, were either marginally profitable or making losses. The impact of Covid-19 has significantly exacerbated that problem now, when most airports are making little or no revenue at all. The question of support to sustain us during the crisis is a critical one.



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Regional airports add a huge amount of economic benefit to the regions they serve, in direct GVA, jobs and things like that. We are not talking about businesses per se; we are talking about critical parts of regional infrastructure.

In relation to the Government schemes that we have been able to access, the furlough scheme has been helpful and we are very grateful for that. Most of the smaller airports are able to benefit from it. The problem we have is that, because of our need to maintain regulatory compliance during the crisis, we are only able to furlough a relatively small percentage of our staff. We also need to continually rotate them.

The other problem we have is that we fully expect the restart process to be very protracted. It could also be very piecemeal. We fully expect there will be a need for that support to continue well beyond the initial lockdown. That is something we are asking Government to consider very carefully.

Business rates, as Mr Newlands suggested, are hugely important to smaller airports. Most airports are paying £1 million to £1.5 million in rates. That may not sound an awful lot, but it is significant in terms of the scale of the companies we are talking about. The problem is that we have been directed to apply for that relief through our local authorities, not centrally. Local authorities do not have the money to refund us, as the rates go directly back into central Government; and some of our members have had problems where local authorities have considered it to be state aid if they make that rate relief. That is surprising for a lot of us.

Mr Newlands, you asked what else could be done. One of the key things is that it would be hugely beneficial if we in the UK could benefit from the movement in Europe on state aid and how it is being applied. There have been some useful rulings and precedent cases that we think the Government could be looking at, particularly in terms of safety and security funding, and our ongoing operating costs.

Karen Dee: You are quite correct that we were really pleased initially when the Chancellor said that there was going to be an aviation package. Of course, the reverse was true when he announced that there was no longer to be an aviation-specific package. We still do not know why that was the case, but that was the decision that was made.

Instead, the Government were very clear that as a sector we had to use the existing mechanisms they had brought in for the rest of the economy. As it is for lots of businesses, the job retention scheme is very important to our members, as others have said, and is being made good use of. We would like to see it extended. I am pleased with the Chancellor's suggestion that he may be willing to taper the scheme as we begin to scale back up.

What is very clear is that, as airports, we saw the impact of coronavirus probably earlier than most other sectors, as it started to impact flights



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from around the world. We saw passenger numbers decline early on. We will probably see our recovery a bit later than other parts of the economy. The impacts on aviation, and the knock-on impacts in the wider ecosystem and the economy, are going to be important.

Business rates are crucial for our members. One of the things that we continue to press, as Deb says, is that we think there should be a UK-wide approach. We know that in Scotland, unlike in England, they have announced that there would be a business rates holiday for businesses in Scotland, including airports. In England, the Government have a scheme of business rates relief for tourism, retail and hospitality, but that is not extended to airports. What we are seeing is a different approach even within the UK.

I am sure John will tell you that, for airports, business rates are a very large part of their bill. That scheme would help in ensuring that we are able to maintain our staff and the critical services that we have. Lots of airports have closed. Lots of them are closed only to passengers, so they are still having to maintain the airport functions. That is quite a large fixed cost. We are in a position where most airports have no revenue but still have quite a large proportion of costs that they are trying to fulfil.

We think there is more that the Government could do. We will continue to press the case on business rates, and we will continue to work on the job retention scheme to ensure that airports are in a good place and ready for the recovery. Without airports, as critical national infrastructure, the UK economy will not recover as quickly as we hope.

Q67 **Gavin Newlands:** John, do you have anything to add? Briefly, if possible.

John Holland-Kaye: I completely support everything that has been said. We need to keep all our airports in the UK going. They are a vital lifeline for regional economies in particular. We have been reaching out to all the airports that we connect with in the UK to make sure that, if there is anything we can do to share our experience or help them, we can do that.

The wider concern I have is that this is another example of the way in which it is not clear that the Government really understand the strategic role that aviation plays for the UK. It is not just about having a successful aviation and aerospace sector, which is something the UK is a world leader in. It is also about making sure that our factories can operate, our exports can get moving and people can come here to spend money. Billions of pounds—probably hundreds of billions—of the economy depend on aviation. If you want to get the UK economy started again, you have to get the UK aviation sector started again.

Q68 **Gavin Newlands:** Ms Dee, you said you were not sure why the Government reneged on their earlier promise of an aviation support package. Can I ask you all briefly whether you are satisfied with the



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degree of consultation you have had with the DFT and the Treasury on that?

Karen Dee: We have had weekly engagement with the Aviation Minister. We have had lots of discussions. We have made our case. In particular, DFT has been working very hard with our regulator on the non-financial aspects that fall within DFT's remit. We have made a lot of good progress and we have very positive engagement.

We have been working across Government with BEIS and others. As AOA, we have not had direct engagement with the Treasury. It is all being done via DFT. Yes, we are pleased with the way DFT is engaging with us. We have not yet got where we hope to get; we will continue with that.

Debra Bowen Rees: I echo Karen's point. The level of engagement has been very good. Certainly at the start of the crisis, we were all getting daily calls from DFT officials to try to understand the nature of the problem we were facing.

The problem that we have is that we are not yet getting responses to the really big questions we need answers to. I guess that is a common cry across all sectors during this time. As I say, there are still a number of big, outstanding questions to which we have not yet got answers. One of the key ones, as John has been saying and has been very successfully highlighting over the last few days, is clarity around the restart process and what we need to do.

We are pleased with the DFT initiative to set up the cross-Government restart and recovery unit, which meets immediately after this, but we need that unit to come out with some internationally agreed measures very quickly. As I say, many airports have continued to operate throughout the crisis. The restart is beginning to happen, albeit it on a piecemeal basis. If we do not get clarity, airports will have to introduce local initiatives, which, as we have said, do not help at all with passenger and staff confidence when we want them to feel absolutely safe and secure when they come into the airport buildings and surrounds.

John Holland-Kaye: We have had the same engagement as Karen and Deb described. I had a call with my opposite number at Paris Charles de Gaulle, our big competitor, last week. He mentioned that he speaks to his equivalent of the Transport Secretary every single day because the Transport Secretary wants to know what is happening with aviation. That is a very different picture from what we see in the UK.

It is an indication that the French, the Germans, the Americans and others see aviation as fundamental to the success of their economy. They were the first to step in and make sure that their aviation sectors would do well out of this.

We should remember that this is an economic competition between ourselves and our European friends. They are looking to outmanoeuvre



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the UK as we come through the crisis economically. They want international aviation diverting through Charles de Gaulle and Frankfurt, not through Heathrow. That is their game. If we do not take the right steps here, as the UK, to protect the long-term success of our economy, particularly the aviation sector, we will be giving up a huge national advantage that we have today to our rivals in France and Germany.

Q69 Chair: Mr Holland-Kaye, you tell us that your counterpart at Charles de Gaulle is speaking on a daily basis to his Secretary of State for Transport. How often have you been speaking to our Secretary of State for Transport or Aviation Minister?

John Holland-Kaye: We have regular calls as a group with the Aviation Minister, and she has been very available to the sector. I spoke with the Transport Secretary at the beginning of the crisis.

Q70 Gavin Newlands: I have one last question specifically for you, Mr Holland-Kaye. You have called for additional Government support for Virgin Atlantic. How do you respond to the public perception and media criticism that the taxpayer would essentially be bailing out a billionaire?

John Holland-Kaye: I do not know about bailing out a billionaire. We are protecting the livelihoods of thousands of people who work at Virgin Atlantic; tens of thousands of people rely on Virgin Atlantic's success for their future. It is about the ability for another UK long-haul operator to bring real competition and choice to British Airways, which benefits the consumer, and the ability for the UK as a whole to have a thriving aviation sector. It does not just support jobs at airports and in airlines; it also supports the whole ecosystem—Rolls-Royce, Airbus and all the other companies involved in the sector.

We need to look beyond the current owners of Virgin and think about what we want to achieve for the UK. It is a tragedy that Flybe was lost because of exactly those kinds of issues. They provided vital connectivity for UK regions with one another and a connection to global markets through airports like Heathrow. We cannot allow more airlines to go that way. That would be cutting off our nose to spite our face.

Q71 Sam Tarry: Mr Holland-Kaye, reflecting on what the Chair brought up at the very beginning—the dividend payment—and given what you said about competition not just with other rivals in the UK, but in France and across Europe as well, do you not think it would have been better to have withheld those dividend payments of £100 million to be able to retain more staff, so that you would be in a better position, after the Covid crisis ends and we can reboot the economy, to have the ability to keep people on the books?

One thing that will stick in the craw of both staff and members of the public is the fact that you actually wrote to staff and said that dismissal and reinstatement might be the final step if people did not accept a 15% pay reduction. Those two things seem to be in direct contradiction to each other. How do you respond to that?



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John Holland-Kaye: Let me clarify the measures we have taken. First of all, the dividend payment that you refer to of £100 million was paid in February and decided in the middle of February. If you were to look at the traffic levels we were looking at then, which was well before the scale of the Covid crisis hit, we were actually ahead of budget at that point. At the time, it seemed an appropriate thing to do. Would I have done it in hindsight? Of course not. There will not be any dividends paid out at Heathrow until the business is back on its feet and the economy has recovered.

Things moved very quickly through March. If you look at our traffic figures, you will see that the number of passengers going through completely collapsed to virtually nothing in the space of five weeks. There was a very quick change. The first decision I made around that was that we needed to act quickly. My first decision was that I would not take any pay for the next three months. I did not know whether that would be too short or too long, but it felt the right thing for me to do to take a lead on this. My executive team did the same thing, as did our directors. We discussed with the unions and our frontline colleagues—

Chair: Mr Holland-Kaye seems to have frozen. We will try to get him back, and Chris Loder also has a question on Heathrow. Sam, do you have a question you want to put to Debra or Karen?

Sam Tarry: No, it was specifically the one on Heathrow.

Q72 **Chair:** Let's focus on the question of regional airports. We are keen to know, Debra, if you feel that the Government have done enough to help the smaller airports—the ones you represent.

Debra Bowen Rees: First of all, I want to emphasise the importance of regional airports and what they bring to the regions in which they are situated. Clearly, there is the direct impact of an airport in jobs and GVA. For instance, in my airport we directly support around 2,000 jobs and we put nearly £100 million of GVA into the local economy every year. It is a really important driver of regional growth and sustainability.

The network is critical because, as well as providing massively important connectivity for the regions—a lot of our airports serve peripheral regions that absolutely rely on air travel—it also supports critical non-passenger aviation activity. I am talking about flying training to seed the airline industry with pilots. We are also important for flight testing, emergency flights, police helicopters and all that kind of thing. We are hugely important to the regional economy, and to the Government's levelling-up agenda, as a national infrastructure asset that can help spread economic growth and development into the regions.

We need the Government to move forward with the regional connectivity review that was promised around the time of the very sad loss of Flybe back in March. That is critically important to understand how regional airports and regional connectivity can continue to grow and, indeed, thrive in the environment as we go forward. We need that to happen.



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Just now, John mentioned the huge gap in the market that Flybe has left. There is a huge opportunity for that gap to be filled, but we need an environment to be created that will enable the airlines that we have currently operating in the UK, or indeed could potentially start up following the crisis, to move into that gap and continue to provide vital regional connectivity.

I do not think there has been a real focus yet on the benefits of the regional airport network, the regional airlines and what they bring to the regions and how they can continue to be supported, particularly in the light of the Covid crisis.

Q73 Chair: Thank you. Mr Holland-Kaye is back with us now. Do you want to finish off your point? You were telling us that you had taken a three-month term of no pay, as had your board. That is where we lost you.

John Holland-Kaye: We agreed with the unions that there would be a temporary pay reduction for all frontline colleagues, provided that kept them above the London living wage. The letter you refer to was a letter that went to our managers, for whom there is no requirement to take a pay reduction; they are not part of a union. We were asking them to do that on a voluntary basis as part of all of us being in this together to try to protect the company and to save as many jobs as possible.

I have been really heartened by the response people made. They are passionate about what we do, the role we play and how important it is to keep open and keep serving our communities.

Chair: Thank you. Karen, I know you had your hand up, but I am going to ask you if you will respond to some questioning from my colleague Robert Largan, who has to leave us shortly to attend the Chamber.

Q74 Robert Largan: I want to talk about the future of the industry. I am concerned that, if we do not get the aviation industry restarted fully, there will not be much future. Obviously, a lot of global airlines are going to be making their decisions on which routes to open up and looking at the ones that are most profitable. How does the UK compare with our nearest competitors like Germany, France and the Netherlands? What can the Government do to make our routes more competitive and attractive?

Karen Dee: That is a good question. The first thing we have to do, obviously, is get some agreement about opening up the borders. Both John and Deb talked about that. We are working closely with the DFT to make sure we can start planning the timescale for that reopening.

The other thing, and I think where your question is coming from, is how we make sure that the UK and UK airports are still attractive places for airlines to fly, whether they are British airlines or anything else. Deb talked about the regional connectivity review, which the Government announced in February and has obviously been overtaken by events. That is important for the future and for us to start planning what kind of



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Government support and assistance there can be to help all airports and airlines to drive that market.

We are keen to explore the role of a regional connectivity fund. How can we ensure there is support, for example, when routes in their early stages may be less commercially viable than they might otherwise be? What kind of support is needed while the airlines are beginning to scale up? What we face at the moment is an industry where we have had no revenue for several months, but we have still had quite a lot of costs. The ability of all businesses to invest in those kinds of less commercially viable routes is going to be undermined by the challenges we face. We will be looking for Government support on that, not least on the one we always talk about, which is air passenger duty.

The Government have pointed out to us that, as we have no passengers, we are not paying any air passenger duty, but that does not feel like a good argument, certainly not for where we want to be in the future. It is a global industry. Like any business, airlines will place their business where they can make the most money. We want that to be in UK airports on routes that connect the UK to the world, and within the UK as well because we benefit from that in terms of the economy. There are public service obligation flights that the Government can support by reviewing the tax system and looking at how quickly we can get the aviation system moving.

While that process is taking place, we will continue to need measures, such as the job retention scheme being tapered, to ensure that we can bring people back in a sensible way. We will continue to press for further financial support on things such as business rates, because we are not yet in a position where we are out of the crisis or are open. There are quite a lot of things that we think the Government could help us with.

Debra Bowen Rees: I want to add to Karen's points about public service obligation routes and APD. A lot of those routes connect the more peripheral parts of the UK, particularly to our hub airports, and are what we describe as thin routes—the margins on them are exceptionally tight. For the airlines to operate on those routes and really get them going, particularly now with the demise of Flybe when we are looking to other low-cost or scheduled airlines to step into that market, they will have to have the support they would get within a PSO framework.

APD is a big one in terms of creating that environment, particularly in the domestic market. We fully anticipate that the domestic routes will probably be the first to start going again, for all the reasons we talked about, with international opening up and all that kind of thing. We need a framework to be put in place by the Government that will encourage airlines to operate on the marginal routes that are needed to get the system up and running again.

Chair: Do you wish to come back, Robert?



Robert Largan: No. That was a really helpful answer and exactly what I was after. Thank you.

Q75 **Lilian Greenwood:** This morning, the BBC's Roger Harrabin reported on a survey showing that a majority of people believe climate change is as serious as coronavirus. You will know there is a campaign to build back better now that we have experienced life with less traffic, less pollution and less noise. What level of environmental conditions on any further Government support would be reasonable?

Karen Dee: I bring you back to our not having had any aviation-specific support. We have the job retention scheme, which applies to the entire economy. That aside, I take your point and re-emphasise that only in February the industry reached a landmark for international aviation when we launched the Sustainable Aviation road map, which showed how UK aviation was going to tackle carbon and get to carbon neutral by 2050. We have that plan. It is something the industry has committed to, and we look forward to being in a position where we can continue to deliver on that plan.

There is an opportunity, in terms of restart, when we look at how we can ensure that the industry begins to invest. Sustainable aviation fuel, for example, is a good opportunity, and we have been talking to Government about how we can scale that up. This is a good time for Government to help invest in and scale up some of the work that has been taking place. Of course, as businesses, carbon is at the forefront of all our plans.

The one caution I have on all of that, as I said in answer to a previous question, is that we have seen some of the liquidity in cash taken out of businesses. We will find it is quite difficult for businesses that have not taken loans, and that is quite a lot—in fact most—of the industry, and are still on their own finances. They are going to be in a much less good position to make forward investments on things such as airspace change, for example, which are very costly processes but deliver real benefits in terms of carbon. That is going to be quite difficult for an industry that has seen liquidity going out, so there is a chance for us: the sooner we get up and running again and get some revenue in to cover those costs, the sooner we can get back to focusing on the carbon agenda, which I think we are all very committed to.

Q76 **Lilian Greenwood:** It sounds to me like it is essential that there is conditionality, because what you have described is the possibility that some of the investments that will help to reduce carbon emissions from aviation may not happen unless there is something in place to ensure that they do.

Karen Dee: Those investments are investments by individual businesses. If you do not have the money because you have been out of business for three months, where is the money going to come from to do it? If Governments were offering loans, for example, it might be different, but we do not have that for aviation. We do not have an aviation package;



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we have a job retention scheme. Businesses have taken all the sorts of measures that John talked about to conserve cash and continue to operate, and we are committed to tackling carbon. Until coronavirus, the carbon agenda was the most important agenda for us. I think that remains the case, and we remain committed to it.

Q77 Lilian Greenwood: If there is a package, and I understand your request for one, do you agree that conditions should be part of that? Yes or no?

Karen Dee: We do not have a package.

Q78 Lilian Greenwood: Okay. Can I ask Mr Holland-Kaye a question? There has already been a very sharp reduction in air travel, and we have heard that passengers may be slow to return. Given that, and given the need to reach net zero carbon emissions by 2050 at the latest, won't those changed economic circumstances alone blow a massive hole in the business case for a third runway, and would your resources be better spent on keeping your existing staff in their jobs rather than pursuing further legal battles?

John Holland-Kaye: If I may, I will respond to the earlier question at the same time. I agree that we need to build back better as we come out of this crisis. We can see with the pandemic that there were early warning signs from other epidemics around the world that were not taken, and had we taken them we might have avoided some of the personal and economic crisis that is coming with this. We need to make sure that does not happen with climate change. We can all see the early warning signs. We cannot afford what happened during the global financial crisis, when people took their focus away from climate change and focused solely on the economy. We need to build back better.

I agree that any company getting a Government bailout should have conditions around decarbonising their business. Many of the companies in need of financial support, not just in aviation, are in carbon-intensive sectors. This is an opportunity to accelerate that change in our economy, and for the UK to take a lead. If you look at what has happened in France and Germany, where there have been financial bailouts for their airlines, there have been climate change-related conditions attached to those. It is absolutely right that we should do that in the UK as well.

I agree that our focus needs to be around sustainable aviation fuels, seeing how we can catalyse that from both the demand and the supply side. We should be looking, and the Government can help with this, at developing sustainable aviation fuel plants in places such as the north-east of England, where there is a huge opportunity for regeneration. It is an entirely new economic sector that will help to make sure we can keep the benefits of aviation in a world without carbon. This is the time to accelerate that kind of investment, and the Government can help. The kinds of things we should think about are trying to double the use of sustainable aviation fuels every year. If we do that alone, we



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will beat the target that the Sustainable Aviation plan put together back in February.

Q79 **Lilian Greenwood:** What about the third runway?

John Holland-Kaye: In terms of the third runway, my focus is solely on protecting jobs, protecting our business and serving the country at the moment. I am not thinking about the third runway. However, in 10 or 15 years' time, if we are successful in rebooting the UK economy and getting us back to full strength, we will need the third runway at that point.

Chair: We are now going to move on to regional connectivity, and I will bring in our very own George Osborne lookalike, Simon Jupp.

Q80 **Simon Jupp:** Thank you, Chair—very kind of you—and good morning to all the panel. It was good to hear Flybe mentioned earlier in this session because Flybe's headquarters are based in my constituency of East Devon at Exeter Airport.

This question is to everyone on the panel. What impact will coronavirus have on regional activity across the British Isles? I am thinking particularly about more remote areas, including the south-west, the east of England, and let's not forget the Crown dependencies as well.

Debra Bowen Rees: It is going to have a really big impact as things stand today, because all our regional airports are operating by keeping airfields open and supporting emergency services and things like that, with no commercial flying.

As I said earlier, air connectivity is critical to the regions, particularly the more peripheral regions where alternative modes of transport just are not there. If you look at the south-west of England, at the highlands and islands and even Wales, where I operate, there just is not the alternative travel available. That connectivity is critical to the regions, as we all saw with the demise of Flybe and all the commentary around it. The jobs that it impacted on were not just directly in aviation but more widely in the supply chain.

That is where there needs to be a real focus on how we can regenerate that vital connectivity for the UK, and where all the work of the restart unit is going to be so important. We need to make sure that we have the financial framework in place to support the airports because, as I said, most of the airports operating in the regions are smaller airports with limited liquidity, without access to huge amounts of shareholder money or commercial loan opportunities. We have to keep those airports open for the benefits they bring.

Then we need to create a framework for the airlines so that airlines are confident to return to that market. There is a huge amount of work to do. What is critical is the regional connectivity review that the Government were looking to do back in March, and we need that restarted, not just once aviation has restarted but now, so that we create the framework we



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need to sustain the airports and airlines, and then their recovery process that comes after.

Karen Dee: I agree with everything Deb said. We should not underestimate the importance of connecting our regions both to each other and internationally, either via hub airports or by supporting more direct flights. Let's remember that 75% of visitors to the UK—our tourism industry in the UK—depend on good flights and connectivity. That is not just in and out of hubs but direct flights as well, and, of course, freight.

If the Government want to deliver on their levelling-up agenda, as Deb mentioned earlier, we need to ensure that we have connectivity, so that businesses can get their parts and their goods to market, importing and exporting. Also, for all the wonderful scenery we have around the UK, we need to encourage tourists back in. That is going to be a challenge; financially, it will be difficult, and we need to make sure that airlines are in a position where they see the UK and UK airports as a good place to connect with.

John Holland-Kaye: I completely support everything that has been said. You will probably know better than I just how important those regional flights, and, in our case, connections between Heathrow and the UK regions, are to local economies. Aberdeen, a world leader in oil and gas, has easy access to Baku, Lagos and Houston through Heathrow within 24 hours. It is the same with Newcastle: the auto industry there can get to Tokyo and Korea within 24 hours with connections through Heathrow. Those are lifelines for those economies.

Companies that choose to base themselves in the UK regions very often do so, if they are international companies, in the expectation that there will be easy access to them, so one thing I would like to see coming out of this is a guarantee—guaranteed into Heathrow in perpetuity—that there will be flights to regional centres in the UK that do not have rail access so that businesses can invest with confidence. If you are going to invest in Inverness, Aberdeen, Belfast, Newquay or maybe Newcastle, where there will not be quick access by rail to the UK's hub, we can do that by air. That will make sure international investors can come into the UK, creating jobs, with the confidence that they will never be cut off from global markets.

Q81 **Simon Jupp:** Again this is a question for the entire panel, thinking very crucially about regional airports. What do you think the Government need to do to protect regional air connectivity? When you look at the departure boards at regional airports up and down the country, they are empty; there is no money coming in. There are schemes on offer that can help those airports survive, but they are on their knees, essentially. What can be done to reduce the risk of the closure of our regional airports across our nation?

Karen Dee: The first thing, as we go through this crisis, is to ensure that we have a clear end point and some clear leadership from Government



about restarting the industry. We need continued financial support, the job retention scheme and, hopefully, a win on business rates—all those kinds of financial support—to ensure that airports that have remained open, but not to passenger flights, or that are closed, are in a position to bring staff back. They are highly skilled staff, by the way, and there is not a glut of those people around; we do not want to lose those staff as they are crucial to us. We need to be able to afford to bring them back sensibly, and we need a plan soon from Government about how we are going to do that. That will rely on opening up the markets and understanding the standard we will have to apply.

As John mentioned earlier, we want a single standard so that we understand how we can get people confident to travel again to ensure that we can bring flights and routes back. At the moment, we do not have a date for that. There is some demand out there, as we have seen, but, until we get a decision on the sorts of measures that we should be applying as an industry, it is very difficult for us to plan and get those routes up and running.

Q82 Simon Jupp: That is a really good answer. It is important also to reflect that some of the places where these regional airports are based have historically low wages, and the jobs at these airports are essential for those economies in order to attract certain careers and boost productivity.

Debra Bowen Rees: One of the most important things we can do is to look at our smaller regional airports, in particular, not as businesses but as critical parts of the regional infrastructure. We need potentially to get away from the market mindset in that part of the market, because a lot of our smaller airports are operating with marginal profitability, but the impact they bring to the regions is absolutely enormous in terms of economic growth, jobs and so on. There are obviously short-term survival measures that we need to get the airports through this crisis, and to make sure they are still there when we come out on the other side, and I think we have already discussed that, but there are an awful lot of longer-term things we need to look at.

One of the areas we have talked about for a very long time in RABA is the disproportionate impact of the cost of regulation on smaller airports. We have far fewer passengers to spread costs across; we have limited ability to pass those costs on to airlines; and we have high levels of fixed costs that we can do nothing about. We need to look at means of supporting smaller airports in their operating costs in particular, primarily the cost of safety and security regulation.

If you look across Europe, many states entirely cover the cost of aviation security in their airports or do so to some extent. That is something that we need seriously to consider. The way you do that is to stop looking at the airports as a business and look at them as a critical part of regional infrastructure. We need to start thinking about all those aspects as we go



longer term beyond the crisis, with the hope that we still have the regional network that we have today.

John Holland-Kaye: I support everything that has been said. Regional airports are the lifeblood of our economy and we need to support them, as Karen and Deb have said.

Chair: We are now going to return to the theme we started on, which is the issue of screening and protection for passengers and employees. Can I ask the witnesses to keep responses brief because we do not have long until we close?

Q83 **Grahame Morris:** The Government have asked the population generally, and indeed businesses, to make huge sacrifices during this lockdown period in order to contain the spread of the Covid-19 virus, and they have recently extended testing facilities. It seems counterintuitive that at UK ports and airports there seem to be no tests, and no screening or quarantining arrangements. Could Karen Dee take us through a typical passenger journey when someone arrives in the UK from a country with a high rate of Covid-19?

Karen Dee: Tackling that head on, as UK airports we have been following all the advice and guidance issued by Public Health England. We are not medically trained and we do not decide what kind of standards to apply. Having said that, in the early stages airports were asked to put up lots of signage that was given to us or designed by the Department for Transport telling us the kinds of messages that incoming passengers should see. That was a big initiative right at the start. Since that time, on the advice of Public Health England, we have been working with them to identify any people with symptoms.

As we went through to lockdown, the advice from the medical people was that there was no need for airports to be testing or quarantining because, I understand, their view was that it would have little impact or value once you had community transmission. It is something we have been questioning the Government about. We know it is something that some passengers are concerned about. It would be useful to have greater clarity from Government so that passengers understand what they should see in the future.

Q84 **Grahame Morris:** Could I ask John Holland-Kaye about this? Karen raised an interesting point about the advice of Public Health England, and I understand that it is necessary to follow that. Indeed, earlier, you mentioned common standards, not just within the UK but with international airports. What common standards would you like to see introduced across the UK? Maybe you could comment as well on some of the value of health screening, particularly temperature checks, at airports.

John Holland-Kaye: There are two things that we need to think about. The first is how you make sure that anyone who is going to another



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country is safe to travel and is not bringing the disease with them. That is where we need some kind of health screening. There is no commonly established health screening internationally, other than temperature checks, at the moment. We do not know whether that will be the long-term solution, but we are already required to carry those out for some destinations. That is currently being done at the gate, so we are testing right now a large-scale screening system that would use temperature checks and could act as a first filter, if that ends up being the solution. If that is part of the plan, we can move quickly and share that knowledge with all the other UK airports.

The second issue is how to minimise the risk of transmission, within the airport journey and on the plane, between airport and airline workers and passengers. There are two types of transmission. One is on people's breath, through moisture, and that is why people normally look to social distancing. You cannot socially distance on a plane or within any transport system. The alternative to that is to wear a mask. The mask does not protect you completely from somebody else's breath but it protects other people from your breath, so it is an important measure to minimise the possibility of respiratory transmission.

The other form of transmission is people touching a surface and picking up the disease and then taking it to their face. That can be overcome through minimising the touch points, increasing use of automation, and very good hygiene within the airport, so that people are washing their hands, sanitising themselves, after any point at which they have to touch anything. That combination of measures in the airport journey and on the aeroplane should be sufficient to keep people safe from transmitting any disease to one another. We can get on with that and do it.

The key issue is common health screening. The quicker we can get on with that and agree what it is, the better. If we can get that by the end of May, and some sense of the direction we are going in, we can start to plan for how we restart the aviation industry; but more than anything else, we can avoid companies taking decisions about job reductions in a vacuum. At the moment, if we are told that the only solution, until we get a vaccine in 12 to 18 months' time, is to socially distance in an airport, tens of thousands of jobs will be cut because we cannot afford to wait that long before we get people flying again.

If the Government say, "Here is the plan. When the community transmission level is down low enough, you can get flying again," although that might be three, four or five months away, we will save tens of thousands of jobs. Those decisions will be made within the next few weeks.

Chair: Can I bring Karl McCartney in?

Karl McCartney: Thank you, Chair, but Grahame, as ever, covered a plethora of points and aspects in his question. The question I had to ask has already been answered, so you can go straight to Chris. I am happy



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with that because I am conscious of the time.

Chair: Thank you. Can I bring Chris back in? Apologies, Chris, that it has taken a while to get you back in.

Q85 **Chris Loder:** Not at all. Thank you, Chair. My question is primarily for John at Heathrow. John, have you offered any preferential terms to airlines, in effect to get them to leave Gatwick and other airports? As you have probably seen, very large airlines have publicly said today, and over the last few days, that they are leaving Gatwick. I would like to know whether you have offered any preferential terms to any of those airlines.

John Holland-Kaye: No, we have not. We have acted to support airlines, so we do not charge for parking and things like that, but no incentives at all. We want Gatwick to survive, as we do all other UK airports, but airlines are making their own choices in this. We do not know what BA will choose to do; it will make its own choices based on what is economically rational for it, as you would expect at these times.

Q86 **Chris Loder:** There is one final quick question from me. Having looked at your accounts over the last few years, your business, I think, declared a profit before tax last year of £577 million. That was up £93 million on the year before. In stark contrast to many small and more regional airports across the country, that financial position is very different.

The Government will not have a bottomless bank account to support the airports of this country, particularly taking the points earlier about the importance of regional connectivity. Are you taking any of that money to make sure that you, as a business, are as self-sustaining as possible during this time? I am personally greatly concerned that Heathrow is looking to have Government support and, potentially, will abstract that Government support away from airports that desperately need it and have nowhere near the strength of your financial position.

John Holland-Kaye: I actually share your concern. Heathrow is in a strong financial position, funded by our investors, and we are not looking for any Government support other than that which would be available to anyone in our sector, but we absolutely support bailouts for other people in the aviation sector, if that is the last resort. We need a thriving aviation sector in this country, and we stand behind the regional airports and the AOA in what they are looking for.

Let's be clear. At Heathrow, we are burning through £200 million of cash every single month, all of which is funded by investors, using the kind of retained profits that you just described. We have a cash position that will allow us to survive without going bankrupt for about a year. That is a very good position to be in, but we do not know whether it will be long enough. We have to take decisions now to cut back our costs as much as we can. That is exactly what we are doing now.

As I mentioned earlier, we will need to make decisions in the next few weeks as to just how deep the job cuts will need to be at Heathrow. We



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have already cut a third of our management team as a starting point. We have not yet cut frontline roles, but we will be making those decisions very soon. That is why we urgently need clear guidance from the Government as to whether we can get aviation up and running in a few months' time, saving jobs, or whether we will have to wait up to a year, losing jobs.

Chair: Finally, because we are running out of time, Ruth Cadbury.

Q87 **Ruth Cadbury:** I want to ask about the predictions for future airline travel, where it is coming from, particularly as business air travel was already declining as a proportion of certainly Heathrow's passenger numbers over the last few years, and will probably be on a permanent low after this as we change our work habits.

Where do you think the growth will come? Mr Holland-Kaye, you said to us earlier that you expect any Government bailout should have conditions on decarbonising, that your focus is solely on jobs and that you are not thinking about the third runway; but on Saturday, in Simon Calder's *Independent* article, you were quoted as saying, "Given the...crisis and the ongoing appeals process, we expect expansion and related capital investment to be delayed by at least two years." Does that mean you are stopping any further costs in terms of the appeal to the Supreme Court and other costs in pursuing runway three?

John Holland-Kaye: We are still pursuing the appeal to the Supreme Court for the third runway. You are absolutely right that it is a critical economic plank for the future growth of this country, supporting hundreds of thousands of jobs across the UK. As to when and whether it will be needed, we will have to see how things turn out over the next few years. If we are successful in rebuilding the UK economy, we will need it in 10 to 15 years' time. If we are not, we are all in a very different world.

Q88 **Ruth Cadbury:** In general, what do the other members of the panel think about the medium and long-term future of aviation? Do you have any sense of that both for tourism and business travel?

Debra Bowen Rees: I think we are in for a very slow restart, and we are seeing that from the airlines now. We are not entirely certain that airlines are going to come back with the same capacity or the same routes as they left with, and there is a lot of reconfiguration going on.

I think in the short term it is going to be very slow. We expect the domestic market to pick up initially, and I think the recovery of international travel will be very much a patchwork, as countries open up and travel restrictions are lifted. The international market will be slower. There will be two groups of passengers coming back. There will be those who cannot wait to get out of lockdown and will get on the first flight to anywhere just to get a holiday, but others will take a bit of time to get their confidence back, especially for long-haul travel, where we saw the impact on people trying to get home this time.



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I think it will be a slow recovery. It will be a staggered recovery, as we see different parts of the market coming back online and gaining strength, but it will all be about the confidence of passengers that they feel it is safe to travel, both from a health perspective and in being able to get home and back to normal life quickly. It will depend enormously on the travel advice, and Simon Calder talked in the previous session about the FCO advice.

All of that together will have an impact on how it all regenerates, but I think in the longer term things will settle, and, as we saw after 9/11, after 2008 and after the volcanic ash crisis, it is a tremendously resilient industry. People want to travel, and it will recover.

Karen Dee: Building on Deb's last point, if you look at the aviation industry and the challenges it has faced over the years, this is a pretty big one; but it is an innovative industry. We are supporting freight, we are supporting the economy and tourism, and, as I think Simon Calder said in the previous session, people like to travel, and travel delivers good for the global economy and for mankind. In the longer term, it will recover, we will innovate and we will adapt to the new circumstances, but there are some real challenges for us in planning that and getting it under way.

Chair: Time has defeated us, I am afraid, but it has been a great help for us to have your evidence. Thank you, Karen, Debra and John. We wish you well—not only you, but your members, their staff and employees—in the tremendous work that is being done at the moment. Thank you very much indeed.

Examination of witness

Witness: Tim Alderslade.

Q89 **Chair:** Our final session focuses on the airlines. We have just one witness with us. We are sorry that we have not been joined by British Airways but we will speak to them on Monday.

For our *Hansard* record, could you introduce yourself please?

Tim Alderslade: I am Tim Alderslade, CEO of Airlines UK.

Q90 **Chair:** Tim, welcome. Thank you very much for being with us. I will open up and then hand over to Simon Jupp.

We are seeing, across Europe, Governments in Spain, Germany, France and the Netherlands putting together multibillion-pound packages for airlines. Why are the airlines in the UK not making the same request?

Tim Alderslade: The support we have seen thus far has been very welcome, the furlough scheme in particular. The vast majority of carriers have made use of that and VAT deferment. EasyJet have accessed £600 million through the CCFF and a number of carriers are going through the smaller CBIL scheme to access liquidity.



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The Government have been quite open about the fact that they will happily discuss bespoke support, which we welcome, but we have had other measures as well. The 80/20 slot guidelines were amended a few months ago, with UK support, so that carriers were not forced to operate 80% of their slots or risk losing them. That was very welcome. Airlines have had three months' worth of ATC charges deferred for a period of 14 months, so there has been some good progress.

There is a distinction between a bailout and Government bungs—Government handing cash to airlines that is never going to get paid back. The Government have been quite clear that, if an airline wants to access liquidity, it can go through the loan schemes that have been announced, and airlines are doing that.

Our main focus at the moment is on what happens when we enter the recovery stage, once airlines start to operate again in the coming weeks. How can we ensure that we start to stimulate demand and get people wanting to fly? We are probably going to need to see an extension of the furlough scheme; a cliff edge at the end of June would be very damaging. It is also likely that we will need an extension on the 80/20 slot regime, probably until the end of the year.

There are all sorts of levers that the Government can pull in terms of APD and charges. We were happy when the Chancellor announced that there was going to be a bespoke package of support, but we are not unhappy with the measures that have been announced so far.

Q91 **Simon Jupp:** Building on what you have just been saying, the original announcement by the Chancellor was obviously welcome, and then the change that was made for the more bespoke support measures for individual airlines was the next stage the Government put forward. Do you think that is enough to save UK airlines from collapse and prevent mass job losses across the industry?

Tim Alderslade: I cannot comment on individual carriers. The situation with Virgin, as you heard this morning, is very well documented. They are accessing, or trying to access, liquidity from the Government. There are other airlines in my membership that have support from foreign Governments: Norwegian, for example, is accessing a loan from the Norwegian Government.

We are where we are at the moment. Airlines are busy applying for loans through the schemes that have been announced thus far. For example, Loganair is trying to access a loan at the moment to operate those important regional routes.

What we need to see now is an appreciation from the Government that we are strategically an incredibly important sector, and we need to kick-start the recovery as soon as possible. The way they can do that is, as I said, by extending the furlough scheme; and for all the things that airlines have to pay out in cash, such as APD payments and ATC



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charges—civil aviation authority charges—we would love a deferral for six months, because we need to start getting people booking again. The way we do that is to stimulate demand; we take cash out of the business for the airlines, so that will bring prices down and people will want to start getting on a plane, going on holiday and on business trips.

I cannot comment on individual carriers. All I would say is that our energies over the next six months, or even the next few months, will be focused on saying to the Government, "If you want to kick-start this great industry, these are the measures that we will need." They are fairly substantial, but the issue is that they are cross-industry measures; they are not solely for individual carriers. We have seen individual carriers taking their own steps to shore up their balance sheets, and that is where we, as an industry association, will be focusing our attention.

Q92 Simon Jupp: How much impact do you think the recent headline-grabbing decisions by some airlines will have had on public opinion of the industry, and do you think that will make it more difficult for the Government to provide support? Some of the headlines we have seen in recent days and weeks in relation to refunds and everything else, and people being stranded elsewhere, are, I think, particularly damaging for the industry, but I recognise the need for those airlines still to exist. Do you think that more could be done, and how do you think those headlines will have impacted on the people you represent?

Tim Alderslade: We will just keep making the case to the Government that we are the third largest aviation market anywhere in the world, behind China and the US; we are strategically an incredibly important sector. As Karen has just said, tourism and freight rely on aviation, and our regional economies depend on aviation, with airports all over the UK.

Yes, we have had some headlines that have not been great, I think unfairly in many cases, certainly when it comes to repatriation. Most airlines in my membership have done brilliant work bringing home people who were stranded overseas. There are some issues around refunds that we may come to later, but the Government are there to take strategic decisions, and the key question for us is, do they see aviation in the way they should?

Q93 Simon Jupp: What is the answer to that, in your view? Do you think they do or they don't?

Tim Alderslade: Aviation is one of the best things that this country does. We are world class in aviation.

I remain to be convinced. I think John raised it in the last session. That was a fascinating anecdote about the CEO of Air France having spoken to the PM every day over the last three months. Do we get the same treatment in the UK? I do not know. To some extent, we are a victim of our own success. We have more airlines flying than ever before, and OpenSkies has opened up the world to passengers and to businesses. I



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think the Government, and DFT in particular, sometimes see their role as just managing that process rather than intervening and trying to develop aviation as the key asset they have on their hands. That is a worry, and it is something we need to convince them about over the next few months.

Q94 Simon Jupp: Obviously, you will be one of the voices making those calls over the coming months. Have you personally had much interaction with the Aviation Minister, the Secretary of State or DFT generally on behalf of your members?

Tim Alderslade: Like the airports, we have had weekly calls with the Aviation Minister, as a group of airlines. We are in very close and frequent contact with DFT. I sit on an industry association working group that meets the Business Secretary twice a week. I am also a member of the tourism council that meets the Tourism Minister on a weekly basis. We have had engagement as well with No. 10 and the Treasury.

The engagement has been good, and I think the airports would agree, but the issue for our sector has always been that the Department for Transport is a mid-level Department, and the decisions around this kind of thing are taken by the Treasury. We have to keep making that case across the whole of Whitehall. We cannot just rely on the Aviation Minister or key officials at DFT. We have a job to say to BEIS, "This is what aviation brings to business, to exports and to people wanting to bring products into this country," and to say to DCMS that 73% of people who come to the UK for inbound tourism come in an aircraft. There are lots of advantages of aviation and we need to keep making that case within the whole Whitehall system.

Chair: Tim, we have a lot to get through so, now that we have got going, I am going to ask if we can have brief responses.

Q95 Sam Tarry: Tim, thinking about the scale of potential job losses in the industry, do you have a sort of figure in mind? I will put it in the context of some stuff you briefly touched on before.

A lot of MPs and constituents across the country are very concerned not just about the things that Virgin Atlantic has done and the announcement yesterday of up to 3,000 people losing their jobs, but about the plans at British Airways, where 12,000 people are going to be made redundant. For both of those companies, there is serious evidence, particularly in the case of BA, that the parent company IAG's liquidity is in the region of £9 billion-plus. A lot of people across the UK will be asking whether it is right that the British flag carrier is making 12,000 people unemployed when a majority of its staff are beneficiaries of the Government's furlough scheme.

Tim Alderslade: When it comes to BA, it is best that you ask Willie Walsh on Monday. I cannot comment on them. All I would say about Virgin and BA, and Ryanair, which has made announcements of about 3,000 job cuts as well, is that it is absolutely tragic for the individuals concerned, but we are facing an unprecedented drop in demand for travel



and for flying. It has never been this bad. It is worse than 9/11; it is worse than the financial crisis. Demand has completely stopped. Nobody wants to fly, and even if British Airways or Virgin wanted to fly to a certain country, there are travel restrictions in place that prevent them from doing so. They have to take that into account.

We know from precedent, from what has happened previously in other crises, that it is probably going to take two or three years to get back to normal. Companies like Airbus are saying that it could even be five years. I noticed yesterday, when the Virgin CEO announced the job reductions, that after 9/11 a lot of the people who lost their jobs in 2001 returned to the airline a couple of years later. We are going to have to face the fact that we are going to have a much smaller and leaner aviation network for the next few years, and carriers will have to adapt to that. They have to save their businesses at the end of the day, and they will be looking at taking out cost wherever that may be. They are busy restructuring.

Q96 Sam Tarry: The point is that we are potentially bailing out the industry to the tune of tens if not hundreds of millions of pounds, certainly if you include the furlough scheme. For a lot of people, the name is on the tin—it is a job retention scheme—but obviously what is happening here is that money is being paid and jobs are not being retained. That is, in my view, simply unacceptable.

Tim Alderslade: We put out a statement yesterday in response to the Virgin situation. The job retention scheme cannot last forever. We are going to have to wean ourselves off it eventually, and, yes, we are looking for some sort of extension, because we cannot have a cliff-edge scenario, but the idea that when the job retention scheme comes to an end those jobs are going to be sustainable moving forwards is not a decision that the airlines have taken.

I have every sympathy with that perspective because, as I said, we are going to see a much smaller network. We are potentially going to see airlines going out of business, and jobs will have to go, potentially, to take account of that. Airlines are taking cost out of the business in any way they possibly can. Staffing is a big part of the cost base for a carrier, alongside fuel and leasing costs. A lot of contracts with suppliers are being renegotiated as we speak.

I want to get across to you, if I can, the scale of this disaster for our sector. The issue is that we do not know when it is going to come back. We do not know when travel restrictions are going to be lifted. There is talk about 14-day quarantines, for example. We do not yet know what is happening with restart and recovery; the first meeting is only today.

Airlines are looking to get back up and running as soon as possible, but the frequency might not be the same. We are probably going to see lower frequency and lower capacity for a good time yet. To use just one example from yesterday, Virgin spoke about getting rid of its 747s. What happens to 747 pilots, for example? There are all sorts of factors in play,



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and if you are an airline CEO it is incredibly difficult. You have to restructure your business to survive, otherwise you will go out of business.

Chair: Tim, can I ask you again to consider brief responses?

Q97 **Gavin Newlands:** The truth is that BA, IAG, easyJet, and Heathrow for that matter, are outliers in terms of UK aviation. Many small airlines, airports and support services like baggage handling are really struggling. In terms of UK Government support, does it make sense to you—because if you look to others, it does not—for the UK Government to fund and support European airlines such as Wizz Air to the tune of hundreds of millions of pounds, an airline that is in the strongest position of any European airline, as far as I understand it, and to refuse support to UK airlines? Does that make sense to you? In answering that, can you also answer how long you think a furlough scheme would have to be extended and tapered to ensure that there are no job losses on a massive scale?

Tim Alderslade: On Wizz, are you referring to them accessing the job retention scheme?

Gavin Newlands: Accessing £300 million of Government support, yes.

Tim Alderslade: Wizz Air have a UK AOC, and they have a base at Luton Airport as well, so they have every right as an airline with a base here to access that support.

Q98 **Gavin Newlands:** And the furlough scheme? How long might it have to be extended to support the sector?

Tim Alderslade: The honest answer is that we do not know. As I said, it is probably going to take two to three years to get back to where we were. Clearly, that is not sustainable in terms of the Government paying for wages. We are at least looking until probably September/October, and then we will have another look at it.

We need to see where we get to with the restart and recovery process because it has not kicked off yet; it has been disappointingly slow, frankly, to get off the ground. As your previous panel said, we do not yet know what the public health stipulations will look like and what the different systems across the world will look like. Until we know that, we cannot get flying back up and running and, crucially, we cannot instil confidence in passengers. We need to take passengers with us, and until we do that demand will probably remain fairly low.

Q99 **Karl McCartney:** You have touched already, as you would in your role, on there being liquidity in the system. We have established that various airlines have that liquidity, some obviously more than others, and CEOs will be trying to retain as much of the money they have on hand as possible. Where is the money? My constituents who booked tickets, et cetera, want their refunds. Why aren't people across the country receiving their refunds? What are the airlines doing with that money?



Tim Alderslade: I want to read out a few stats on refunds. I listened to the first session with interest. You are absolutely right that under EC 261 an airline has to provide a refund within seven days in the event of a cancellation. They can offer a credit note—a voucher—and offer incentives for the passenger to take that voucher; in many cases a passenger will, depending on circumstances.

To give you an example of the increase we have seen in the number of claims for refunds—as I said, there is a complete crash in global aviation; nobody wants to fly and everyone is claiming refunds for cancellations—one airline I spoke to in April 2019 had 51 cancellations that month; in April 2020, last month, they had 45,000 applications. Another airline has gone from having 70 requests for a refund this time last year to over 5,000. Owing to the social-distancing restrictions in place, airlines simply cannot bring in people to man their call centres and to process those applications at anything like the rate they would like.

A similar thing happened not long ago when Thomas Cook went out of business. The CAA was charged with paying refunds to consumers under the ATOL scheme. It was given 60 days in which to pay refunds, so on day one the CAA received 67,000 applications. By the deadline, a couple of months later, 50,000 applications still had not been refunded, and by 8 January 10,000 claims had still not been refunded. In April, the CAA put out a statement saying that 99% of claims had been settled, but that was seven months after the demise of Thomas Cook. I say that not to criticise the CAA. I am saying that this is the situation that airlines are having to deal with when a massive volume of people are trying to claim a refund, which is their legal right, and the airlines just do not have the systems to be able to cope with it. Crucially—

Q100 **Karl McCartney:** I am taking that with a pinch of salt. In all your claims you are obviously going to stick up for the airlines, and it is a difficult time for them, but it is a difficult time for my constituents who are owed money by the airlines. Where is the money, and why isn't it being paid back?

Tim Alderslade: My understanding is that every airline in my membership is now paying refunds. If a customer wants a refund, they will get a refund. What we are saying is—

Q101 **Karl McCartney:** Yes, but they are not paying it quickly, are they?

Tim Alderslade: What we are saying is that it is impossible to comply with the law as it currently stands because the law was not designed for this kind of scenario. You have already heard from Mark Tanzer at ABTA that on the package travel regulation side it is impossible to comply with the law in 14 days.

Yes, this is an important debate here in the UK, and airlines are very thankful to passengers for their patience—it is not an ideal scenario at all—but the law was not designed for this kind of scenario. What we are



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seeing across the EU is that 15 member states have now written to the Commission to say there needs to be some more flexibility in the law. Fifteen member states have said that the Commission should change the law to allow airlines to issue vouchers or that there should be some guidance in place to tell passengers that the reality is that, yes, the airline does legally have an obligation to pay within seven days, but it is physically impossible at the moment.

Q102 Karl McCartney: But if IAG has, or claims to have, liquidity of £9 billion, it can pay passengers back, or BA can pay back its passengers who did not fly. You have given reasons why there are delays, but we are quite a way down the line from those refunds that should have been made perhaps in the first week or two—yes, we could have seen perhaps a month's delay. We are eight or nine weeks into this now and lots of people still do not have their money back.

The second part of my question to you is, where is the money? What are the companies doing with that money?

Tim Alderslade: It is probably a question for IAG—

Q103 Karl McCartney: Hypothetically, if you were one of them, what would you do?

Tim Alderslade: I cannot talk about their refunds. What I would say is that, even if they have the money, they physically have to process the refunds. You actually have to go into the system. It takes about 10 to 15 minutes for each refund to be processed. It is not something that happens automatically, because the money is kept in a separate system. When you are paying a voucher, you can pay it a lot quicker because there is no money coming out of the account. With a refund it is very different. What is happening is that airlines cannot get people into their call centres to do it. It physically has to be manually inputted on the system.

In terms of where it is, going back to the first session, Simon Calder was saying that money coming into an airline should go into a separate pot. He talked about Trailfinders doing something similar for the tour operator market. Airlines have huge and very complex cost bases. They have a huge number of things that they have to pay for: fuel, staffing, leasing and marketing costs and depreciation of aircraft costs. That has to be paid for throughout the whole year, so it is not the case that the money comes into an airline and sits in a pot. We have a different business model from the tour operators. This was under discussion in the airline insolvency review led by Peter Bucks a couple of years ago. They looked at it and did not see any reason to change it; it is just the way it has always been in our sector.

Karl McCartney: I will leave it there. Thank you.

Chair: We have only 10 minutes left, so can you please give brief answers, Tim?



Tim Alderslade: Sure.

Q104 **Grahame Morris:** I want to pick up on an earlier answer you gave. You identified some of the immediate short-term issues facing the airline industry and, indeed, the sector as a whole, and some of the medium and longer-term issues about restarting this vital part of the UK economy. Do you support the idea put forward by the trade unions that we should have an aviation sector-specific task group—a tripartite arrangement involving the Minister, the airlines, the airport operators and the trade unions—given the scale of the job losses and the challenges we face, to address some of these issues on a systematic and co-ordinated basis?

Tim Alderslade: We kind of do. The restart and recovery unit that was mentioned in the previous panel has been set up, and the first meeting is today. That is being led by DFT, with other Government Departments bringing important—

Q105 **Grahame Morris:** Are the trade unions, the workforce representatives, involved in that?

Tim Alderslade: I honestly do not know. I would have to check that for you. I would have no issue at all with the trade unions being involved in that, but I do not know the answer to that question. I know the airports are, and the ground handlers, the airlines, NATS, the Civil Aviation Authority, et cetera.

Q106 **Grahame Morris:** It seems from your perspective, Tim, that the industry generally, and in particular the airlines, are in favour of such an arrangement. You mentioned the close relationship that they have in France with the Aviation Minister.

Tim Alderslade: Yes. As I said before, I have no issue with the amount of contact we have with Government, including our sponsoring Department, the Department for Transport, and other Departments across Whitehall. My issue, building on what John was saying in the previous session, is whether they see aviation as a big strategic priority for UK plc. That is still to be determined.

A lot will depend on what happens in the next few months. I think the industry is putting them on notice, to some extent: “Okay, we are the third largest aviation market in the world. We are far and away the biggest player in Europe in terms of our connectivity, and until very recently we had the No. 1 hub airport in Europe. Do you see it as a big priority for this Government to maintain our position?”

I do not know the answer to that at the moment. We have not seen it over previous years; just look at the fact that we have the highest aviation tax in the world. There are lots of levers that the Government could pull that they are not pulling at the moment to kick-start the sector. It is a great sector, and we have a great aerospace sector as well—the second biggest after the United States—but it could be even



better; there is still a lot of connectivity, for example, that we do not have, but that we should have, to developing markets around the world.

Q107 Grahame Morris: Tim, time is short. Can I ask you a question on health screening, in particular the obligations on the airlines? I am sure you heard the evidence given by the previous panels. Particularly given the problems, and the practical difficulties, of social distancing and so on, can you tell me what measures UK airlines and airports have been taking to ensure that staff are adequately protected? Airlines have a legal obligation to ensure the health and welfare of their staff. Should stricter procedures be put in place to test people arriving in the UK for Covid-19 before they are allowed to enter the country?

Tim Alderslade: On your first point around social distancing, we do not support it. As the airports said in the previous session, it would not work; it cannot work at the airport and it would not work on the aircraft because the viability of the route would be completely compromised. Also, you do not have social distancing as you are coming to the airport, on the tube or Heathrow Express, et cetera. It would not work through the whole airport and airline experience.

We are open to things like masks being worn by passengers and crew. We think that would help reduce what is actually quite a low risk of contracting this disease on the aircraft.

Q108 Grahame Morris: With all due respect, it cannot be a low risk if people are travelling from countries where Covid-19 is endemic and there are no restrictions, screening or tests in place either on the airlines or when they arrive in the UK. It is quantifiable, but to say it is low risk is a very questionable statement.

Tim Alderslade: I meant on the aircraft, not the whole travel experience of actually coming to the airport, going through the airport, et cetera. I just meant in the actual cabin. The evidence base from IATA is that there is a relatively low risk.

As the airline community, we wrote to DFT, ahead of the meeting today of the restart and recovery unit, and we have suggested a graded system such that three levels of restrictions could be applied, from light touch to severe. Each country would set their own level and the airlines would have to comply with the highest standards between the two countries. For example, level 1 could be a visible cleaning regime on boarding and getting off the plane, hand sanitisers in the toilets, not having contactless purchases on board, and that kind of thing, and staff wearing face masks.

Level 3, however, could be all passengers wearing masks, all passengers and staff wearing PPE, no catering at all on board, no circulation in the cabin, no crew or passenger contacts, and cleaning kits provided to passengers. We are open to having all those conversations. The issue at the moment is that we do not have a regime in the UK or a regime that is consistent across Europe and across the world. That is why the restart



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and recovery unit is so important. We can do what we want here in the UK, but it does not mean anything if we are not co-ordinating with jurisdictions and countries around the world.

The DFT needs to be speaking to the European Commission, EASA and ICAO so that we have common standards across the whole of the world, otherwise you will have a patchwork of competing systems, which is going to cause confusion for everybody. We are up for looking at this kind of stuff. The one suggestion that we do not think is going to work is social distancing; it is impractical and the whole viability of the aviation ecosystem would be compromised, and airlines should—*[Inaudible]*—routes, frankly.

We have some concerns about the 14-day quarantine suggestion, and we are speaking to Government about that. We will maintain the health and safety of passengers and crew; it is the No. 1 concern of an airline and it is embedded in the culture of aviation as well, going back many years. Safety, security and the health and wellbeing of crew and passengers is absolutely paramount.

Q109 **Ruth Cadbury:** I am going back to the support for airlines at this time. Other Governments have made their support for airlines conditional on environment and carbon issues. What sort and what level of environmental conditions should there be on any further Government support? What would be reasonable?

Tim Alderslade: We do not support any environmental measures, for the simple reason that we have committed as a UK industry to net zero emissions by 2050, which is in line with the targets and the Government commitment by 2050. We do not want to link the two. We have already committed to net zero emissions. We have a credible plan that we put in place to achieve that. Sustainable Aviation has put forward a road map, which is all the airports, all the airlines, the manufacturers, et cetera.

There are a number of ways in which we can achieve net zero emissions. We have written to Grant Shapps, the Transport Secretary, to say that we would like to set up a net zero aviation board, which would be Government as well as industry, to work together to achieve net zero. We do not want to confuse the two, frankly. We need support from the Government to keep our aviation system alive. If we are kept alive as a sector, and if we have anything like the kind of growth that we were projecting before this crisis started, we will deliver net zero emissions. That is our commitment.

Q110 **Ruth Cadbury:** Are you saying that, because you have detailed targets, you can present those as the conditionality of any further Government support?

Tim Alderslade: The net zero target, which was made in February, was based on the premise of a Government forecast of a 70% increase in passenger numbers by 2050. I do not know if we are going to achieve



that based on where we are at the moment, but it was a fairly substantial increase in passenger growth, and the road map factored in expansion at Heathrow and potentially expansion at other airports.

Obviously, with what is happening at the moment, we do not know how much expansion will be required, but the commitment was based on a 70% increase in passenger growth. We believe we can achieve that through a combination of: airspace modernisation; sustainable aviation fuels, which you heard about; the introduction of new fleets; the withdrawal of 747s, A330s, et cetera, that we heard about yesterday from Virgin; and CORSIA, the global offsetting scheme.

Chair: I would like to bring in Greg Smith. This will be our last question.

Q111 **Greg Smith:** With the prediction of four or five years to get passenger numbers back, I want to think about what that means for air freight. With about 45%, I understand, of the world's air freight going in the hold of passenger aircraft, and 60% of air freight between Europe and the United States, what does this mean for the future of air freight? Does it mean we are going to have to see more dedicated freight routes? What does it mean for our existing airlines? Off the back of that, does it mean that airlines are perhaps going to be looking at cheaper airports to land and take off in countries where they do not necessarily have to come in through the big hub airports?

Tim Alderslade: It is a very good question. Over the past couple of months, the freight carriers have done a fantastic job, both the dedicated freighters and airlines like Virgin Atlantic and BA, in terms of bringing in freight in the bellyhold, and changing or reconfiguring aircraft to turn a passenger aircraft into a freighter. They have brought a huge amount, millions of tonnes, of PPE and medical equipment into this country. Freight has done relatively well in the past few weeks. East Midlands, for example, which is a very large dedicated freight airport, has bucked the trend of the huge drop-off in passenger demand.

For the dedicated freighter carriers in the UK, the two largest airports are not Heathrow or Gatwick: they are Stansted and East Midlands. That kind of operation already exists for them. Heathrow is still our biggest port by value. Most of the goods that come into Heathrow are in the bellyhold, so clearly there is going to be an issue there in terms of the viability of long-haul traffic from the States—*[Inaudible.]*

A substantial proportion of the traffic coming into Heathrow is from North America, so it is certainly one that we will have to lobby Government on quite hard. Before this whole crisis started, they had set up a new freight strategy, and a freight steering board led by the Department for Transport, so it is one that we will be keeping a close eye on because we cannot ignore freight for too long; it has been the Cinderella service of aviation.



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What this whole thing has taught us is that, if we are not able to produce many of the things we need as a society and as an economy here in the UK, we have to factor in a way of bringing it into the country.

Q112 Greg Smith: It is certainly my view that our economic recovery is going to be very dependent on trade, and we are doing trade deals all the way around the world at the moment. In terms of the airlines themselves, though, what is the proportionality between income from putting freight into the bellyhold, compared with the income from passenger journeys? What is the economic impact on the airlines in terms of freight?

Chair: Tim, can you do that in 10 seconds, please?

Tim Alderslade: I will have to write to you with the exact figure. Virgin's freight capability, for example, is around 10% in the bellyhold. As to the whole economy, I will write to you.

Chair: Thank you. Apologies, Greg.

Tim, thank you very much indeed for representing Airlines UK today. We are very grateful, and we wish you and your members all the best. That concludes the Transport Select Committee session for today. Our next meeting is on Monday 11 May at 10 am, when we will be hearing from Willie Walsh with regard to British Airways.