

Transport Committee

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

Monday 11 May 2020

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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 113 - 194

Witness

[I](#): Willie Walsh, Chief Executive, International Airlines Group

Examination of witness

Witness: Willie Walsh.

Q113 **Chair:** This is the Transport Select Committee's second evidence session on coronavirus and the implications for aviation. Could I ask our sole witness to introduce himself, please?

Willie Walsh: Good morning. I am Willie Walsh, chief executive officer of International Airlines Group.

Q114 **Chair:** Mr Walsh, good morning to you. Thank you for being with us. This session is focused primarily on British Airways—IAG—evidence from you. We will be talking to you about the financial support available from Governments, about the challenges for your own staff's terms and conditions, for passenger refunds, and for the health and protection of passengers and staff. Can I start by asking you to summarise the very severe challenges on your company, British Airways, and on the aviation industry, and if the news of a 14-day quarantine is going to make things even harder for you?

Willie Walsh: By any measure, this is the most severe downturn that the airline industry has witnessed. Certainly in the 41 years that I have been in the industry, I have never seen anything like it. Some people ask if it is similar or in any way related to the challenges we faced in 2001. To put it into context, in October 2001 global passenger demand traffic fell by 19%, and in November 2001 it was down by 16%—a very severe downturn. In the global financial crisis of 2008, traffic fell by about 6% in September and in December 2008 it was down by about 8%—again a very significant downturn.

To put this one into context, in March, globally traffic was down over 50%. We have never seen anything like that. It is the most significant crisis that the industry has faced, and it is a global challenge. Markets right across the world are experiencing similar downturns. IAG's traffic in March was down by over 50%; our capacity in March was down by over 33%. To explain the sudden nature of the downturn, you can look at our financial performance; we released figures last week to the market. We make the point that in January and February our performance was in line with 2019 and in line with our plans, yet for the first quarter of 2020 we reported an operating loss of €535 million, with all of that downturn taking place in March this year.

It is a very severe, very significant crisis, and, quite honestly, the likelihood of its improving in the short term is zero. The announcement yesterday of the 14-day quarantine period for people coming into the UK is definitely going to make it worse. There is nothing positive in anything I heard the Prime Minister say yesterday. We had been planning to resume flying on a pretty significant basis in July, but we will have to review that based on what the Prime Minister said yesterday.



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Q115 **Chair:** I think you talked about returning to 50% capacity in July. Do you have an indication of what type of return you would commit to if there was a 14-day quarantine in place?

Willie Walsh: No, not at this stage; it is too early, given that the announcement was only made yesterday. Despite the fact that there had been some rumours about a quarantine period, I do not think anybody believed that the UK Government would actually implement it if they were serious about getting the economy moving again. We will have to review the situation. It would not really impact us today because, quite honestly, there are very few people flying into or out of the UK at this time.

The same would apply, I think, throughout the rest of this month and in June, but, given that we had been expecting Governments around the world to start easing restrictions, the introduction of a 14-day quarantine period for air travel is a surprise, because it appears that the Government are not going to apply a quarantine period for people who come into the UK by other means of transport. I do not understand that, but maybe the Prime Minister will be able to clarify the science behind it. It seems strange to me. We will have to review the impact of that and make an assessment of the capacity we are likely to operate if a quarantine period applies. At this stage, I imagine that our capacity into and out of the UK would be pretty minimal in that event.

Q116 **Chair:** We are having a bit of difficulty with your sound, but we can still hear you. We will try to work on it from our end.

Overnight, it would appear that the British and French position has changed so that there will not be a quarantine for people coming in from France. What difference would you say there is with France versus, let us say, Germany?

Willie Walsh: That is the bit I do not understand, so we are waiting on clarity. When I listened to the Prime Minister yesterday, he said "travel by air"; he did not make any reference to trains and boats. I do not know if there is a suggestion that if you fly from France to the UK you have to go into quarantine, but if you take the Eurostar you do not. You probably know more than I do at this stage, so we will have to wait to see the finer details of what the Prime Minister intends to do.

Q117 **Greg Smith:** I appreciate how difficult it is with the 14-day quarantine to make projections in the short term of when you might be able to get passenger numbers up. Something we explored in our last session with other witnesses was the proportion of world freight that goes into the bellyhold of passenger aircraft. Do you have any assessment or plan of when you might be able to get aircraft moving to carry that freight, if you cannot carry passengers in the short term?

Willie Walsh: We are doing that at the moment. In April, we operated 422 dedicated freight flights using our passenger aircraft. British Airways



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does not have freighter aircraft, so all the cargo that we transport is transported in what we call the bellyhold of passenger aircraft.

Given the significant reduction in passenger capacity, there is demand for air freight. It is significantly lower than it was last year, but the supply has been choked off, so, in order to provide that critical link, we have been flying our passenger aircraft carrying cargo only. There were 422 flights in April. We expect it to be more than that in May and again in June, but we will continue to provide critical cargo links. In addition, we have partnership arrangements with a couple of key players who are using their dedicated freighter aircraft, especially Qatar Airways, and we transport a lot of freight on their cargo aircraft under an arrangement, a commercial relationship, that we have with them. We will continue, where possible, to fly critical supplies into and out of the UK.

Q118 Greg Smith: As the economy steps up, manufacturing comes back online and people are asked to go back to work when they absolutely cannot work from home, which, by definition, is manufacturing, construction and things like that, do you have a plan to step up the use of passenger aircraft to carry freight where you cannot carry passengers?

Willie Walsh: If the demand exists, we certainly will. As to the sort of freight we are carrying at the moment, we have transported about 2,000 tonnes of PPE and thousands of tonnes of food and medical supplies. Surprisingly, we are transporting things like gold, diamonds and money. It is an unusual collection of items that we are transporting, the most critical being the personal protective equipment that we are flying from various parts of the world into the UK to support the NHS, and that is an arrangement with the NHS and the UK Government and for some private suppliers.

Q119 Greg Smith: That is very helpful; thank you. Can we move on to post Covid-19, when normality, if we can call it that, resumes, whenever that may be. What is the short, medium and long-term vision for British Airways specifically as a company?

Willie Walsh: Our estimate at this stage is that it will probably be 2023 or 2024 before we get back to the levels of demand that we witnessed in 2019. We are likely to lose three or four years of growth. It is going to be a slow recovery, based on all the analysis that we have done. That view is generally shared by other analysts in the UK industry and by analysts of the global industry. During that period, we will gradually build up our activity and we expect that it will not be before 2023 that we get back to the levels of flying we saw last year in 2019. That clearly depends on not just the post-Covid-19 environment but the post-global recession that we are all forecasting. Without any doubt, global economies have effectively come to a halt.

With the double impact of the restrictions as a result of Covid-19 and the downturn associated with the economic recession, how long that recession is likely to last is difficult to predict at this stage. Whatever way



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we look at it, our most optimistic scenario is that it will be about 2023 before we get back to 2019 levels. There are some people predicting that it will not be until 2026. It will be something that we continue to assess as we monitor the global demand for both passenger and cargo flying.

Q120 Greg Smith: Nobody can doubt that demand is going to be down, and demand will probably be down for some time, but in terms of where British Airways plans to maintain itself as probably one of the most identifiable British companies in the world, and indeed where British Airways sits within the wider IAG group, what is your planning for where BA as a brand and BA within the IAG group will sit over the short, medium and long term? Within that, given the challenge around demand you mentioned, where does the purchase of Air Europa sit in those plans?

Willie Walsh: Let me deal with Air Europa first. The acquisition of Air Europa, if it proceeds, will be an Iberia acquisition, in the same way that, when BMI was acquired, it was acquired through British Airways. The Air Europa acquisition, if we proceed with it, will be by Iberia. It will have nothing whatsoever to do with British Airways. British Airways will not be involved in it. British Airways will not have any role in the acquisition, either funding or managing it. That will all be done at an Iberia level.

Where does BA sit? Maybe you need to have a look at IAG and understand what it is. IAG is a single economic entity with multiple operating entities. Each of the eight airlines that sits in the group operates its own profit and loss and has its own balance sheet. It fundamentally makes most of the decisions either at management or board level in the operating company. The activity is co-ordinated at IAG level and consolidated where it makes sense to do so. British Airways will continue to play the role that it has played since the creation of IAG. It is one of the four main carriers in the group and will continue to be one of the main carriers in the group.

When we analyse the impact of this, we task each of the airlines to assess the impact independently. They have all looked at how they see their market—their segments—responding and we have built it up from the inputs of the individual airlines, and from the top-down approach that we have at IAG. They are remarkably similar; there is very little difference in opinion between the management teams at each of the airlines as to how it will play out in the global aviation scene.

The issue for British Airways, which is something we can consider in some detail going forward, is whether business travel responds at the same rate as leisure travel, given that BA has much greater exposure to business travel than other airlines in the group.

Q121 Greg Smith: It is my understanding from the numbers that British Airways as an entity—I appreciate the point you make about being one of the four main carriers in IAG—accounted for most of the profit, or a lion's share of the profit, of the whole group last year, and indeed has a history of that. Can you give a commitment that British Airways will continue to



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be developed as the leading carrier and—the economics speak for themselves—the most profitable entity that the group has?

Willie Walsh: It depends on how you measure profit. We look at a number of metrics. One of the principal metrics is the return on invested capital—the amount of capital that each of the airlines uses. British Airways has the lion's share of the capital investors, so you would expect it to make the lion's share of the profits.

Unfortunately, it is also the case that British Airways probably has the highest fixed-cost base of all the airlines in the group. Therefore, when we look at the financial impact of the downturn, the swing from profit to loss is going to be much greater at British Airways than in the other airlines, and that was certainly the case in the first quarter. The risk for BA in the short term is that, yes, it is profitable—it makes the lion's share of the profits and, typically, has over 60% of the invested capital, which would make about 60%-plus of the profitability—but in the downturn, unless British Airways adjusts its cost base more significantly than the others, it is going to make significantly greater losses than the other airlines. That is exactly what we saw in the first quarter of this year.

Chair: We are going to turn to the financial support that you may have sought or may indeed seek from Governments.

Q122 **Gavin Newlands:** As a continuation from the previous questions, which set this section up, given what you said, Mr Walsh, and that we know that over the last six years BA has generated over £8 billion profit for the IAG group, how much cash or liquidity does the IAG group, or British Airways for that matter, have on hand at the moment?

Willie Walsh: When we report our liquidity, we report it on an aggregate basis. Last Thursday, we released figures for our liquidity at the end of April. At that point, we had €6.4 billion of cash and cash equivalents. Then we had total liquidity of €10 billion, so €3.6 billion of facilities. We have not drawn on any of those facilities. Those facilities in effect represent debt, so, if we were to draw on them, we would just be taking on additional debt. They are in a number of forms. Some of them are short term. We have a 12-month revolving credit facility with British Airways secured with their aircraft, so it is an asset-backed secured facility.

We have a number of facilities at IAG level and a number of facilities that we operate by company, so we aggregate the liquidity. We do not disclose the cash held by the individual airlines. Clearly, it is something we have within the business. We normally disclose it on a year-end basis but not as we go through the year.

Q123 **Gavin Newlands:** It is interesting that you aggregate all the liquidity, but you separated the investment in Air Europa as an Iberia investment. That is an interesting distinction. To visualise that kind of financial strength, perhaps you could give us an idea about this. There is another



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European airline called Wizz Air, which is a financially strong airline, albeit smaller, that has also received £300 million of UK Government funds or loans. It is estimated that it could survive for 20 months without flying a single plane. What would be the equivalent period for IAG without flying a plane?

Willie Walsh: It is very difficult to give an accurate figure, because it depends on the measures that will be taken, but what we are saying is that, if you look at the cash in the business, we have reduced our cash-flow costs, excluding some items, to about €200 million per week, so €800 million per month. That is a rough figure that we estimated for April and May. It will change as we go through the year. That includes most of the cash outflows of the business; it does not include all of them. For example, excluded from that are the pension deficit repayments that British Airways makes. That is £450 million per annum. There are some issues excluded from that—debt renewals—but they are pretty minor. We have also excluded some revenues, so we excluded the revenue that we generated from our cargo.

When I said we aggregate the cash, that is on a reported basis. The cash is actually held by the individual operating company, so British Airways holds the cash that BA has and Iberia holds the cash that it has. The cash is held at operating company level, but for reporting purposes we aggregate cash and then report it as a single figure.

Q124 **Gavin Newlands:** Is it that obviously very strong and market-leading cash position—the reserves that you have—that has led to you in the past being very highly critical of state intervention in the industry? Given that IAG's Spanish operations—Iberia and Vueling—have applied for and received over €1 billion from the Spanish Government, and British Airways has taken £300 million from the UK's corporate coronavirus scheme, to what extent have your previous deeply held principles changed as a result of the coronavirus situation?

Willie Walsh: They have not changed at all. It is an excellent question to ask and I am glad to have the opportunity to clarify. I have been quite open in saying that, where, in general, facilities are made available, IAG will avail of those facilities if they make sense to the business.

What I have objected to in the past is state bail-out. I would define bail-out as when you give cash to a company that has failed or is failing. That is not the case in this situation. There are many fine companies that through no fault of their own are suffering significant financial and liquidity crises as a result of the coronavirus, and, more importantly for the airline industry, as a result of the restrictions that Governments have imposed on travel.

I have been very open in saying that, if there are general facilities that are available, we will, where possible, avail of those facilities if it makes sense to us. In the case of Iberia and Vueling, the Spanish Government have provided a guarantee to the Spanish banks for up to 70% of the



loans that they make under what they call the ICO process. That is a commercial loan that Iberia has taken from a consortium of Spanish banks. Vueling has taken a loan from the same consortium. That is debt that Iberia and Vueling have to repay. Should we not repay it, if there is a default on the part of Iberia or on the part of Vueling, the Spanish Government will provide a guarantee of up to 70% of the debt to the Spanish banks. Those facilities are not available in the UK—certainly not at this stage—nor are they available in Ireland.

The facilities that we have availed of across the group are income support facilities, which is the case in Ireland, the UK and Spain, and the specific coronavirus funding under the Bank of England, where we issued £300 million of commercial paper that the Bank of England bought. To avail of that facility you had to have an investment grade credit rating on 1 March, which we had. That is not specific to airlines; it is available to any company in the UK that had an investment grade credit rating on 1 March, so we applied for that. We issued £300 million of commercial paper, which the Bank of England acquired.

Q125 Gavin Newlands: Could you confirm that IAG will never approach the UK Treasury for the bespoke package the Treasury has offered instead of an industry-wide scheme? Or, indeed, if the UK changed to a Spanish model, would that change your mind and perhaps British Airways would come forward to receive finance that way? Lastly, the third part of this question, who would make those decisions? Would it be yourself or would it be Mr Cruz, and how much input would he have?

Willie Walsh: We are very conscious of what the Chancellor said in the letter he issued to the industry—I think on 24 March—where he made it clear that the Chancellor, acting on behalf of the Government and the taxpayer, would expect all companies, but in this case directed to airlines, to avail of all other opportunities before they approached the Exchequer for any assistance. It was clear from what he said that he expected us to do everything we could on our own part, which included accessing the commercial markets, accessing funds from shareholders and, having exhausted all those facilities, if airlines still required funding, only at that stage should they approach the Exchequer for a bespoke arrangement.

We are not in that position. We will do what is right for the business. The decision, ultimately, because British Airways would require to do that itself, would be done at British Airways level, with the approval of the BA board, and, clearly, at IAG we would have an input into that. But the commercial paper that was issued to the Bank of England was issued by British Airways, not by IAG, in the same way as the loans taken on in Spain are loans taken on by Iberia and by Vueling, not by IAG. If IAG separately can access financing, we will do so, and that is something that we might look at, but in the main any funds that are raised are raised at the operating company level, supported by their own balance sheet.

Q126 Gavin Newlands: You have explained in part the twin-track approach of



the Spanish operation and the UK operation, but I think British Airways employees, ourselves as MPs and the general public see that by far the majority of the IAG profits are generated by British Airways—as has been addressed thus far—but you have decided to slash 12,000 jobs in this country while essentially saving Spanish jobs. Does that not strike you as a little unfair?

Willie Walsh: That is not correct. That is not the case. Allow me to explain for you. What we have done at British Airways, as we are required to do under UK law, is advise our elected representatives of the need for restructuring.

As you know, under the Trade Union and Labour Relations (Consolidation) Act 1992, we are required to do that at the earliest stage possible. We are required to advise the Secretary of State if there are likely to be any redundancies, and then we are required under law to engage in consultation to give the elected representatives an opportunity to influence the decisions that will be taken, to mitigate any redundancies that may be required and to reduce, if possible, any redundancies that may be required. The British Airways restructuring that you have read about in the paper is on the back of consultation that we are required to do, that we will do and that we have entered into in good faith to give the elected representatives an opportunity to influence it.

Labour legislation in Ireland and in Spain, the major countries in which we operate, is different, and we are required to do it in a different way. We are embarking on restructuring and have made it clear that it is group-wide restructuring; it is not specific to British Airways. It is group-wide restructuring in the face of the greatest crisis that the airline community and the airlines in IAG have ever faced.

It is not as you portray. We are not picking on British Airways. We are not doing anything that we do not believe is absolutely necessary to secure the survival of British Airways, and we are doing exactly the same with the other airlines in the group, complying with the law as it is in the countries in which we operate.

Q127 **Gavin Newlands:** Mr Walsh, I agree with the maxim that a business's best asset is its people. You have indicated that Iberia, on behalf of IAG, will continue to purchase the airline Air Europa. As far as I understand it, you still have an order for 200 737 MAX aircraft.

Willie Walsh: No.

Q128 **Gavin Newlands:** You can come back on that in a second, Mr Walsh.

There are rumours that you plan to use your relative strength to see off rivals such as Virgin at Heathrow and potentially invest in other airlines such as Austrian Airlines. Could you tell us if any of that is true, because it seems to us that the business is prioritising investment in the business or in equipment rather than its people?



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Willie Walsh: I am glad you have asked me the question and not believed what you have read in the newspapers, so allow me to address those issues.

I have made it clear that, if we proceed with the acquisition of Air Europa, it will be an acquisition done at the Iberia level. We have not ordered 200 MAX aircraft from Boeing. We have signed a letter of intent with Boeing. That is not a firm order. We still have time to address whether we turn it into a committed order.

We are not interested in acquiring Austrian or any other airline you may have read about. That is not the case. We are solely focused at this stage on taking the measures necessary to ensure that we can in the short term shore up the liquidity we have. Teams both at IAG and in the operating companies have been working extremely hard to secure cash where it is available and to secure additional liquidity, so that we can survive the period when we are not actually flying. We still have significant costs. All these issues are pure speculation on the part of ill-informed or uninformed people.

Let me specifically address the suggestion that I am trying to use my relative strength to drive others out of business. That is absolute rubbish, and I challenge anybody to come up with anything I have said in relation to that, rather than journalists commenting on what they think I may be doing. I have been very clear that we are focused on doing what is right for ourselves. I am sure every other airline is equally focused on doing what works for them. I have not made any public comments in relation to the difficulties that one of our competitors at Heathrow—Virgin—is facing: in fact, quite the opposite. On Thursday, when I was asked about it, I said that I did not see Virgin as being a failing or failed airline. I see it as a badly managed and badly run airline, given that it has not been profitable, but I do not see it as a failed or failing airline. If they can avail of support, I wish them well.

Talk of using relative strength to drive competitors out of business is total nonsense. You have to realise that the airline industry is not functioning at the moment; we are not flying. Our relative strength is the cash that we have, which we are burning through until we can get to a position where we start flying again and start generating cash to shore up our liquidity. If we have to avail of the facilities that we have negotiated, it means we are taking on additional debt, which will make the future even more difficult for all the airlines in the group, given that that debt will have to be repaid.

I wish every airline well in the current environment, and I hope to see many of them come through this. I firmly believe that not all of them will; many of them were poorly run and, quite honestly, were not viable in good times. I cannot see how they would be viable in the changed environment in which we are operating.

Gavin Newlands: Thank you very much, Mr Walsh. I have used up more



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than my share of time, Chair.

Chair: Thanks, Gavin. We are going to touch separately on matters pertaining to staff, Mr Walsh, because we have received hundreds of emails from your staff, but let's stay on financial support.

Q129 **Sam Tarry:** Good morning, Mr Walsh. To dig a little deeper into some of the figures you are talking about, on some estimations, over the last five years, your free cash flow has meant that you, IAG the group, have been able to pay dividends and share buy-backs that are about 171% of free cash flow. That means that IAG has probably used its debt to increase the return to shareholders, essentially, and within that about 66% of that FCF to buy back its own share in Delta.

I want to focus for a second on your comment about the actual costs of running, or not running in this case, the airline at the moment. There seems to be some discrepancy between your strategy for the way you are using the resources you have and the consequences of that. It occurs to me that, with almost all aircraft grounded, 80% of your workforce furloughed, and actually paid by us the taxpayers, fuel costs down to zero, navigation fees deferred, maintenance and capex obviously being postponed, your payments to suppliers extended and most of the cash collected from customers not actually reimbursed, as we have investigated in previous Committee hearings, in fact the cash burden on BA at the moment will have significantly decreased. Obviously, the thousands of people who have been getting in touch with us who are your staff members will be asking that very question. You are more than capable of not laying off 12,500 staff, given the good standing of BA.

Willie Walsh: I am not sure that I heard a question there, but allow me to address some of the issues.

We have been reimbursing our customers. I listened to what was said before and I do not recognise any of the figures that I read in the press in relation to reimbursement. We have been very clear that, when we cancel a flight, the customer is entitled to a refund and we will refund the customer. We have also made available to the customer the option of cancelling their flight in advance, should they wish to either rebook or cancel it, and in that case we will allow them to rebook or we will offer them a voucher; that is in a situation where we have not yet cancelled the flight. We have been refunding our customers, and we will continue to refund our customers.

It is important to point out that our systems were never designed to deal with the volumes that we are dealing with at the moment, so we may take a little bit longer than we traditionally have done. We apologise for that, and we thank our customers for their patience. But I can assure you that, when a customer is entitled to a refund, they get a refund.

In relation to dividends and share buy-backs, the cash for the dividends has been funded by all the airlines in the group; not all of it has come



from British Airways. In fact, in proportion to their size, more has come from Aer Lingus than from British Airways. Aer Lingus has probably been one of the star acquisitions of IAG, and the performance of that business and its ability to generate cash for the benefit of the business and for the benefit of our shareholders has been significant.

It is important to point out that most of the profits that we have earned and generated get reinvested in the business, most of that being spent on new aircraft, not just to renew the fleet we have but to expand the fleet we have. That will continue to be the case going forward.

Q130 Sam Tarry: The point, though, is the financial strength of the company. If it was in a weaker position, there would be a stronger argument that you were not going to be able to sustain the workforce going forward, whereas obviously that strong position, with the ability, even in the last year, to have multibillion-pound amounts of money in cash reserves, not just in BA but across the IAG group, makes it very difficult for the public and for MPs to understand why these decisions have been taken, and not draw the conclusion that it is about a predetermined decision to restrict the company and to do so in a way that is potentially quite market advantageous versus your rivals.

You say that most of the money has been reinvested in the company, but you yourself, between 2011 and 2019, were paid over £33 million in pension, bonuses and payments. I think that cabin staff who have been in touch with us, who have perhaps worked for your company for 20 to 25 years, are going to be wondering how that was possible for you, but as soon as the going gets tough for them they are thrown on the scrapheap.

Willie Walsh: Just to remind you again, what we are doing at the moment is engaging in consultation—as we are required to do under UK labour legislation—with elected representatives on the restructuring of British Airways. That restructuring is solely driven by the fact that we are now in the deepest downturn that the aviation industry has ever seen. Our capacity is going to be significantly lower in 2020, 2021, 2022, 2023 and beyond than we had planned it to be, but the amount of flying we do will be significantly lower than the flying we were proposing to do. As a result, we will need to restructure our business.

We will engage in good faith consultations with the elected representatives to see if there are measures that can be taken that would reduce the need for restructuring and mitigate the impact on the employees. I hope that we will do that and that we see ideas coming forward from the elected representatives in an effort to influence how the company goes about it. Without question, this has been driven solely by the downturn. I do not think I need to hide the scale of it; it is obvious to everybody that we are not flying our aircraft to transport passengers, because that demand, first, does not exist and, secondly, if it did exist, we would not be able to because of Government restrictions.



The challenge we face is a huge challenge brought upon us by the impact of the coronavirus and will be exacerbated by the economic crisis that everybody will face as a result of the recession that countries face coming out of the coronavirus crisis. It is not for any other reason than to ensure that we can take measures to ensure that we survive and that we are in a position to continue to secure employment for as many people as possible as we manage our way through a post-coronavirus environment.

Sam Tarry: We will probably move on to some questions around staffing now from a number of my colleagues exactly on that point.

Chair: Before we do that, Sam, Ruth Cadbury wants to come in on financial support from Government; as long as it is related to that, let us finish that section off and then we will move to the staff issues.

Q131 **Ruth Cadbury:** Mr Walsh, you say you want to make decisions on the basis of what works for British Airways, and presumably your shareholders, but there are wider agendas. In different countries, conditions of Government support include things such as protecting staff conditions. I believe that IAG staff in Spain will not be suffering the same fate as is happening to BA staff here. Others include taking a Government stake and conditions on climate emissions. What is your view of those positions by Governments on behalf of taxpayers and aviation workers?

Willie Walsh: A number of Governments across Europe have taken a different view as to the economic impact on aviation and the standing of those companies within their economies. The UK Government to date have taken the view that aviation has been significantly impacted but must stand and deliver in the same way as everybody else—on its own two feet. No special rules or procedures have been made available to the industry, and I can understand that. The Chancellor has an extremely difficult job to do in the current environment, and I wish him and the Government well. We certainly appreciate the support that we have received from the Chancellor, and he deserves credit for the speed with which he moved to address some of the concerns.

The associated conditions in other countries probably make sense in the countries in which they are operating. I think, in France, the Government have talked about a requirement to link the support to environmental goals. Some of it, however, appears to be to motivate Air France to buy new Airbus aircraft, so you can see a circular French economy developing there.

I have not seen what specific arrangements have been made by other countries, but I suspect they will vary. In the UK, as I said, we have availed of the Bank of England facility and the job retention scheme to support our people. In Spain, there were no conditions other than financial conditions attached to the loans that we have taken from the Spanish banks; there were no environmental conditions or employee conditions associated with those loans. There are financial covenants



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associated with them, but no additional covenants or restrictions imposed as a result of those loans.

Q132 Ruth Cadbury: Mr Walsh, I actually asked what your opinion of them was. Would BA consider taking more funding from the Government if there were conditions? Do you think there is an implication for the aviation industry internationally in the fact that different Governments are taking different positions?

Willie Walsh: I think in the UK we were probably one of the first countries where the industry aligned with the Government goal of net zero by 2050, so we have already got there. We have already aligned the objectives of our industry with the objectives of the Government, so I do not think we require an additional incentive.

If the UK Government make new facilities available to industry or to aviation, we will certainly see if they make sense and if they can help us in any way possible. As I have said, we will avail of everything we can, but it is important to point out—I think this has been lost on some people—that what we are doing is taking on additional debt; we are loading the companies with additional debt. That debt has to be repaid. That debt will influence how we can proceed going forward and may well significantly reduce our ability to invest in new aircraft.

We have already, as we announced last Thursday, renegotiated the delivery of new aircraft from Boeing and Airbus, to reduce the number of aircraft we take from them over the next two years, including 2020—2020-21 and 2021-22. We will reduce it by 68 aircraft from the 143 aircraft that we had scheduled to take delivery of. We will assess any facility that is made available, and, quite honestly, at this stage, as I said earlier, our focus has been to secure the liquidity necessary to survive through a period when we are not generating any revenues, as a result of the difficulties that the industry faces.

Q133 Ruth Cadbury: What is your view of Governments, such as the US Government, who are considering taking a stake as a quid pro quo for Government support?

Willie Walsh: We have seen that in other countries in different industries over the years, including in the UK with the banking industry. I understand that that is a way of Governments potentially benefiting from the upside, if the recovery is faster than people had projected.

The US has always been different. It has always been ready to support the aviation industry. Some of that is because of the dependency of the US army or military on getting lift capacity from the commercial airlines in times of war or whenever the US army has to be transported. They need a commercial fleet that they can call on because they do not have a fleet to transport troops. That is the only country where that is really availed of, so they have always been keen to ensure that the commercial industry exists.



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At the moment, they have provided grants of cash to airlines to support employment. They have also provided loans. Some of those loans are guaranteed or could potentially be taken in the form of equity going forward. I have not seen the full details.

Different countries construct support measures in different ways. If the Government are going to do something like that, I am sure it will be done not on an aviation-specific basis but on the basis of supporting all businesses in the economy, because all businesses are suffering at one level or another.

Q134 Chair: Mr Walsh, we will now turn to the issue of the redundancies that could impact 30% of BA staff and the changes to terms and conditions that could impact those who are fortunate enough to keep their job. To put it in context, I must have received almost 1,000 emails over the last week from members of BA staff concerned about that, and very worried that things are bad enough for them with the virus, without that uncertainty added on top.

You mentioned that the changes to the terms and conditions are solely as a result of the coronavirus pandemic. On that basis, if you bounce back by 50% profit next year, will you give the 50% additional back to the terms and conditions that are currently under consideration? Will your staff share in the proceeds of growth as well as being impacted by the costs of coronavirus?

Willie Walsh: The restructuring I talked about is subject to consultation with the elected representatives. I am not going to prejudge in any way those consultations. We enter into those consultations in good faith. We will listen to what the elected representatives have to say, and we will not provide a running commentary. I have been clear about that. It is a serious issue.

I share the concern of everybody in British Airways and the other airlines in the group. This is an incredibly worrying time for everybody in the aviation industry, as it is for most people in the economy. I share the concern being expressed by politicians about the impact it will have on the UK economy.

It is important for me to be clear. I am not, in any way, going to prejudge the outcome of the consultation that British Airways will undertake with the elected representatives. It is its responsibility to engage in that consultation, and I expect it to do so in good faith. I expect it to listen to all the suggestions being made by the elected representatives, and I expect that to be done as soon as possible so that we can take the right decision to ensure that British Airways survives through the crisis.

You should not underestimate it. Anybody who believes that it is going to be easy is dreaming. This is the greatest crisis we have ever faced. The liquidity that we have is reducing because the cash we have is reducing.



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We have probably exhausted every avenue I can think of at this stage to shore up our liquidity. The cash has been reducing significantly, and that will be the case as we go through May, June and July. Given that it is unlikely that we will be doing any significant level of flying until July at best, and following the Prime Minister's announcement yesterday maybe it is going to be delayed beyond July, we have to be clear that we will have sufficient cash to enable us to survive through that period. We are not taking in any revenue.

Q135 **Chair:** Mr Walsh, I appreciate that—

Willie Walsh: I am sorry, but I do not think that people appreciate it. I do not think people appreciate the scale of the difficulty we face.

Q136 **Chair:** My point to you was not critical of you taking the measures you are taking. I was suggesting that I believe you can drill into that level of principle. If you can drill into the levels of expected job losses, surely as a point of principle you can say to the staff, "If your terms and conditions are being reduced by 50%, as a general point we will enhance them by 50% if you bring our revenues back up by 50%." That is not part of the consultation; it is a general point. Surely you can answer that for us.

Willie Walsh: With respect, I am required by legislation to drill into the expected redundancies. British Airways is required to give the detail—

Q137 **Chair:** This is about the staff—

Willie Walsh: Sorry, it involves the restructuring. British Airways is required under the law to give that level of detail to the elected representatives. It is required to engage in good faith consultations, with a view to reaching agreement, which is exactly what British Airways will do.

I am not going to negotiate with you. It is not a point of principle; it is a point of law. We are doing what we are required to do under the legislation that exists in the UK. We will comply with that legislation and do what we are required to do.

Q138 **Chair:** To be clear, you are telling us that if you were to say, "Yes, we will allow the staff that remain to share in the proceeds of growth by whatever pro rata amount that growth is," that would be breaching the consultation requirements that you have to abide with by law. Are you telling us that?

Willie Walsh: No, I did not tell you that.

Q139 **Chair:** In that case you can answer my question, surely.

Willie Walsh: What I told you was that we are engaged in good faith consultations, and we are not going to do anything to prejudge those consultations. Those consultations will be between British Airways and the elected representatives, not between you and me.

Chair: I am going to hand over to my colleague, Mr Langan. We will



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pursue this point because it feels to us, or certainly to me, that there is a bit of cherry-picking going on in the arguments you can use or cannot use.

Q140 **Robert Largan:** A lot of my constituents work at British Airways and are very concerned, particularly the legacy staff on older contracts, that a lot of this is about restructuring the company and their contractual terms and conditions in a way that you might have desired anyway. I want to give you an opportunity now to comment further on that and give a bit more reassurance to your legacy staff.

Willie Walsh: I do not differentiate between employees—my colleagues in British Airways. That term is not a term that I would use. I can give reassurance to everybody employed in British Airways that we are engaged in the consultations in good faith to ensure that we do what is right to provide British Airways with a path to survival through this crisis and in the environment that will exist beyond the crisis.

Q141 **Robert Largan:** One of the proposals is creating a single group of cabin crew rather than the current three. What is going to be the implication for the cabin crew staff of that single group?

Willie Walsh: Again, that will be the subject of consultation between the elected representatives and British Airways. I am not going to give a view in relation to the outcome of that consultation. The consultation will be entered into, and it is an issue where I hope the elected representatives will come forward with proposals and alternatives as they see fit, to enable us together to do what is right to ensure that British Airways can survive and is in a position to thrive when we get through this incredibly difficult environment.

Q142 **Robert Largan:** BA has had a number of issues with industrial relations over the last few years. Obviously right now the unions are in quite a weak position, given that they are not able to meaningfully threaten any strike action. Is that an extra reason for you acting now?

Willie Walsh: Quite honestly, I am amazed that you asked that question. We are not flying. The reason we are doing this restructuring is that we need to survive the crisis we are in. This has nothing to do with industrial relations. It has to do with the survival of the company, to ensure that we can be in a position to continue to exist when things start returning towards normal, given that we are unlikely to get back to a normal environment for a number of years.

The sole objective of the actions we are taking is to ensure that we have a business, that we still have a company and we still have British Airways flying at some point when we get through this. That is what we are trying to do. We will spend all our time and effort to ensure that we do that, and we expect to do it in consultation and in collaboration with the elected representatives of the people who work in British Airways.

Robert Largan: I do not want to take up any more of your time; I want



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to give others the chance to get their questions in as well. Thank you for your answers.

Chair: Staying on the same theme, I hand over to Grahame Morris.

Q143 **Grahame Morris:** Mr Walsh, you told the Chairman a few moments ago that you did not want to give a running commentary and that you could not negotiate with the Committee. I have some specific questions about things that have happened, and I hope you are able to comment on them without any kind of prejudice to your position.

My colleagues have already spoken about the volume of emails they have received from cabin crew, staff and trade unions. Clearly the decision to make 12,000 workers redundant is having huge impacts. To begin with, why did you choose to start, and indeed propose to complete, the process of making employees redundant while they were on furlough and still covered by the Government's scheme?

Willie Walsh: Thank you for asking the question, because I have heard a number of people comment on that. The job retention scheme makes it clear that you can be made redundant while on the scheme or, indeed, afterwards. We engaged in the process because, under the law, we are required to do so in good time and as soon as it is evident that the requirement is there. That is what we are doing. We are seeking to comply with our obligations under the law.

Q144 **Grahame Morris:** I want to come back to the obligations under the law and your references to consulting with elected representatives, which I presume means the Government. Specifically on another point related to your last answer, you told my colleagues that these measures are being taken as a consequence of the unprecedented crisis caused by coronavirus, the collapse in passenger numbers and so on.

What I would like to put to you, and I would like to know if it is correct or not, is that you previously issued section 188 notices, which are statutory notices of redundancy, to the entire workforce of 40,000 BA staff just before the Government furlough scheme was introduced. You then refused to jointly lobby Government with Unite the union, only to later withdraw those notices when the furlough scheme was introduced. Is that correct?

Willie Walsh: My understanding is that on 17 March—I may be wrong about the date—British Airways issued HR1 and section 188 notices, to the Government and to the trade unions.

Q145 **Grahame Morris:** To the entire workforce? For all 40,000 employees?

Willie Walsh: My understanding—subject to me being corrected—is that it did not have a specific number on the form. There had been ongoing consultation and negotiation with the trade unions. Through that negotiation, it was agreed that the HR1 and section 188 notices would be paused when the agreement was reached with the trade unions on



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availing of the job retention scheme. That is my understanding of what happened at the time.

Q146 Grahame Morris: If that is not correct, Mr Walsh, will you write to the Committee? It is a memorable date—St Patrick’s Day. If that was not the case, I would be very interested to know.

Can I follow up your earlier responses in relation to consulting with elected representatives and the legal requirements that are placed on BA, and your own reference, as part of that consultation with Government, to seeing whether it is possible to mitigate any potential redundancies. What I cannot quite get my head around is this. How is it possible to mitigate making a third of the workforce redundant given your proposal to remove all of the remaining employees’ existing terms and conditions? Earlier, my colleague talked about the consolidation of the three groups of air cabin crew. How can that be possible when they were working under the threat of instant dismissal if they did not accept those new contracts? How can you possibly mitigate that?

Willie Walsh: I am sure you will appreciate that the purpose of the consultation is to address that. I am not going to prejudge that consultation. I would expect that to be an issue that will be dealt with by the elected representatives and the representatives of British Airways. I am not going to be directly involved in it, but the issue is the subject of consultation.

We are doing what we believe is necessary and required under the law. We want to engage constructively with the elected representatives. We have incredibly smart people working for us at British Airways. Many of them have seen previous crises. Many of them have experienced challenges in other industries. We want to draw on all of that knowledge and all of that expertise to assist us in navigating our way through this. What we have been focused on in the short term, as I have said before, is ensuring that we have sufficient cash to give us time to engage in those consultations and not to be rushed and not to take measures without having had the opportunity to consult. That is exactly what we are doing.

Q147 Grahame Morris: Mr Walsh, in your previous answers, which were very specific, you referred to the levels of cash and liquidity that British Airways and the parent group hold. Wouldn’t a reasonable person assume, given that the furlough scheme, which is funded by the taxpayer, is going to run until June, that you have ample opportunity to consider the longer-term implications for BA and for the sector after the furlough period is finished?

Willie Walsh: It is a great question. To put it into context, if we were to avail of the job retention scheme for the full number of people who were furloughed in April, which from memory was 22,600 of the total workforce, for three months, the amount of benefit we would get, which is very significant—I do not want to underestimate it and I very much



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appreciate what the Chancellor has done—would be equivalent to probably less than 10 days of cash burn at British Airways. That scheme gives us about 10 additional days. It does not give us months. Anybody who believes that we can sit back and wait for months because we are in receipt of the job retention scheme, I am afraid, misunderstands the scale of the challenge we face. It buys us a little bit of time, but it is measured in days, not in weeks and certainly not in months.

Grahame Morris: Lots of colleagues are trying to get in on this section. Thank you.

Q148 **Greg Smith:** Mr Walsh, I would like to touch on a particular segment of your workforce now who have been affected by this and some of whom are in contact directly with me. They are staff who have come from the armed forces, particularly the Royal Air Force, to work for British Airways after service in the military. There is talk of a scheme being offered to pilots who have come from the RAF to go back to the RAF for a period, should there be a need to make the staffing changes that have been talked about. Can you comment on what that scheme is?

Willie Walsh: I have heard a suggestion about a scheme, but I have not seen any specifics and I am not aware if any specifics exist. If it did exist, we would be delighted to facilitate the RAF and any of our pilots who could avail of it. Quite honestly, if it is available, it would be excellent. I have not seen specific details of a scheme as yet. I have heard a suggestion that it is being looked at and talked about. Hopefully, we will see something.

Q149 **Greg Smith:** There is a suggestion in a letter I saw this morning from BALPA, which I am happy to forward to you, that they are starting to negotiate on this point. I am sure that most staff, having done their service and actively chosen to leave the armed forces to go to civilian life and work for you, are, like everyone I have spoken to in that position, very happy working at BA. If it is the case that at the end of your consultations you have to reduce staff numbers, can you give an assurance, particularly as British Airways is a signatory to the Armed Forces covenant, for which I thank you, that people in that position will not be treated differently because there is, if you like, an easy get-out for BA to put people back into the RAF?

Willie Walsh: We are waiting to see. As I have said repeatedly, I do not want to prejudge the consultation. If you are asking for a personal opinion, I have to say that we have always worked very closely with the RAF. I have had the privilege and pleasure to have spent a little bit of time visiting an RAF base in Lincolnshire and going flying with them. I admire hugely the professionalism of the Royal Air Force and of the pilots who have joined us from the RAF. If there is anything we can do to work with them and facilitate them, I would be delighted to see it.

Greg Smith: The point I was getting at, if I may come back very briefly, is that, clearly, if, after your consultations, you have to reduce staff



numbers and there is a scheme out there that will save jobs by allowing ex-servicemen or women to go back into the RAF, that is a good thing. What they want assurance about is that, if that is not particularly the favoured route, first, will there be a guarantee that it will only be for a limited period and there will be a job at BA to come back to once profitability increases in the company? That is particularly important in the boundaries of having signed the Armed Forces covenant. Secondly, will there be a guarantee—as most of them are actually behind staff who, say, joined fresh out of university or early in their careers—that, because they did five, 10 or 15 years in the RAF first, the last-in, first-out principle will not apply in this case?

Willie Walsh: Again, the subject will be for consultation, but I assure you that our objective in everything we do is that we do not discriminate against people. I cannot talk about specifics. I appreciate what you are suggesting. I hope that a scheme will be made available. I think that would be a very positive development, not just for ourselves and the RAF but for the individuals involved. We will wait and see if that is the case. If there is anything I can do to encourage the RAF to look at that, I certainly will. As I said, I have great admiration for the professionalism of the organisation and we work very closely with them.

Chair: Mr Walsh, I have been asked by the broadcasters if you could come a little closer to your screen. That would be super; thank you. I will hand over to Chris Loder; you cannot see him but you should be able to hear him.

Q150 **Chris Loder:** Mr Walsh, I have a couple of questions for you. Could you tell us how many of your staff have been advised that they are at risk of redundancy?

Willie Walsh: The process, as you know, is that we advise the elected representatives. That is a combination of the individual section 188 letters that go out to people and general briefings with a number of staff. We have invited all of our staff to attend general briefings. To the best of my knowledge, the trade unions have encouraged people not to attend those briefings. I hope that will not be the case.

We do not advise any individuals. It is the subject of consultation. The numbers have been made clear to the elected representatives of the areas involved.

Q151 **Chris Loder:** To be clear, you are saying that you have not written to any members of your staff concerning the redundancies or changes directly; it has all been done through trade unions. Is that correct?

Willie Walsh: The section 188 letter was made public. I do not know who made it public, but it was made public. I read details of it in the newspapers. We have sent, as we were required to do, details to the elected representatives. We have had briefing sessions with groups of people. I am not aware of—



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Q152 **Chris Loder:** Thank you, but my specific question was, have you written to any staff specifically to advise them of the changes that are happening in British Airways?

Willie Walsh: I would have to check. I know that emails have been sent to people, but it is on a collective basis. I do not believe that we have written to any individual to specifically identify them as an individual.

Q153 **Chris Loder:** May I ask you to write back to the Committee with the answer to that question? From a telephone conference I had with a number of your employees over the weekend, it appears that some have been receiving letters and some have not. It would be beneficial for us if you wouldn't mind articulating that clearly. That would be much appreciated.

My next question is this. How are you determining the staff who are at risk of redundancy?

Willie Walsh: That will be done in consultation with the elected representatives.

Q154 **Chris Loder:** Are we talking about voluntary redundancy or enforced redundancies?

Willie Walsh: As I say, that will be the subject of consultation with the elected representatives. We hope that, working together, we can do what everybody wants to do, which is to steer a sensible course through this challenge and reduce the impact in any way we can. Critically, we must ensure that we have a viable business coming out of this.

Q155 **Chris Loder:** In terms of your determination of staff who are at risk, what you mean to say is that you are not differentiating in any way, shape or form between grade or length of service of your employees. Is that correct?

Willie Walsh: No, I did not say that. I need to be clear that the issues will be the subject of consultation between the elected representatives and the management in the areas involved.

Q156 **Chris Loder:** To be clear, what we need to understand is, are you targeting redundancies of your staff based on their age or length of service in any way?

Willie Walsh: I am absolutely clear with you that we will comply with all legislation as it exists. The consultation will be good faith consultation with the elected representatives, and all of those issues will be the subject of consultation with those representatives as soon as possible.

Q157 **Chris Loder:** How would you respond to the fact that your more established members of staff have received correspondence from the union suggesting that they may be subject to redundancy, while members of staff who are a lot newer and who have, shall we say, a lot less length of service have received direct letters saying that the business is going through change but does not specifically state that they are



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subject to redundancy? Looking at that from an independent perspective, it appears that the workforce has been segmented and that you have a targeted approach as to who or who may not be subject to redundancy.

Willie Walsh: You referred to correspondence from the trade union to people. I have not seen that. Any correspondence from the trade unions to people is nothing to do with British Airways. I cannot comment on that.

Q158 **Chris Loder:** To be clear, the correspondence I was referring to was from, I think, the chief pilot. It was a forwarded letter from your own head of industrial relations. I am very happy to provide the specific letters afterwards, if you would like them. Those are the ones I am referring to.

Willie Walsh: As I have said to you, I can assure you that we will engage in good faith consultation with the elected representatives on all of these issues.

Q159 **Chris Loder:** But you are not categorically ruling out that different groups of staff are being targeted potentially for redundancy.

Willie Walsh: I am not saying anything other than that it will be the subject of consultation between the elected representatives and the management, as is required under UK legislation.

Q160 **Chris Loder:** I would like to share this with you. It is fair to say that approximately 90% of those who have been in touch with me have more than 20 years' length of service with British Airways. It is also fair to say that the correspondence is clearly different. If it would be helpful for me to share that with you, I would be very happy to, if you or somebody from your office would like to get in touch.

My final question is this. Earlier, you said that it is necessary to progress these redundancies because of the economic situation, and that was the primary driver for the 12,000 redundancies that you have declared would be required. If that is the case, and if it is purely because of the economic situation, could you tell us why it requires the grievance and disciplinary procedure to be changed as part of the consultation?

Willie Walsh: The sole reason, not the primary driver, that this consultation is taking place is to ensure, as I have said, that we can have a business that survives through the crisis and can survive in the changed environment that will exist post this.

The industry has changed. Anybody who believes that we are going back to the way things were in 2019 misunderstands the scale of the challenge being faced by the industry. The consultation is ensuring that British Airways can take all the measures necessary to survive through this and can survive beyond it in an environment where our finances will have been significantly weakened.

Q161 **Chris Loder:** I am grateful for the point, but with respect I do not think



you have really answered the question. Why does the grievance and disciplinary procedure require to be changed in this situation? It feels, and I think a lot of your staff feel, as if this is commercially predatory on the part of British Airways. They are deeply saddened to be in this situation.

I recognise the economic pressures and the situation you have to deal with, but is it really necessary for things like the grievance and disciplinary procedure to be changed as part of that?

Willie Walsh: I am deeply saddened that we have to do this. I assure you that what we are doing through the consultation will be to ensure not just that the business can survive in the short term but that the business is in shape to survive in an environment that will be significantly different. All of these issues will be subject to consultation with elected representatives. We enter those consultations in good faith. I fully believe that the elected representatives will do so equally and that, together, we will be able to shape British Airways to ensure that we can be in a position to survive going forward.

Q162 **Chris Loder:** With respect, you still have not answered the question. Why do you want to change the grievance and disciplinary policy, because it has nothing to do with that?

Willie Walsh: I am sorry, but with respect it has. We need to ensure that all the measures that will be in place in the future at British Airways are relevant to the changed environment in which we will be operating. All of the issues will be subject to consultation with the elected representatives. I expect them to be able to demonstrate to us where they believe that some of the proposals that the management team may have may not be necessary.

I fully expect the management team to take on board all the suggestions that are made through the consultation period so that, together, we shape British Airways in the best way possible. That is not only to ensure that we get through this; there is no point in surviving in the short term only to collapse once we get out of it in an environment that will be significantly different, with a balance sheet that will be significantly different as a result of the changes we have made in the short term.

Q163 **Sam Tarry:** Mr Walsh, thinking about the wider context of what you have said—apparently, you are doing all of this in the best interests of staff going forward, given the context we are in—I want to focus on outsourcing. In your letter to trade unions, you say quite clearly that you intend to outsource a number of jobs, particularly at Heathrow—for example, in-flight management, central load control, ticketing, equipment and service functions, North American gateline and the worldwide baggage resolution centre. That is several hundred jobs.

I think a lot of taxpayers will be wondering, given that you have our money to furlough staff, how many of those jobs you assume are going to be offshored. That is a real problem. You have a track record of



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offshoring jobs within BA and IAG. If those jobs are going to India or eastern Europe, people will be wondering why British taxpayers' money is being used to do that.

My question for you, Mr Walsh, is this. If you are going to be moving jobs, at a very difficult time, out of the UK, so that British citizens are losing their jobs and you are then giving them to citizens in different parts of the world, will you be prepared to hand back the British flag? Perhaps a flag that would be more relevant would be one from the Cayman Islands or perhaps Panama. You are certainly not doing justice to the citizens of this country with those kinds of manoeuvres.

Willie Walsh: Thank you for your comments, which clearly I do not agree with.

Chair: I think there was a question in there. Sam, do you want to put a quick question?

Q164 **Sam Tarry:** You have been quite clear that you are looking to offshore and outsource jobs. You have said throughout this whole conversation and previously that everything is about protecting jobs, using money that you have from the British Government to ensure that as many people can be retained on the staff as possible, but that is contradicted by what you have already said in the letter to trade unions.

Willie Walsh: I think you are picking comments out of context. I did not make those statements. What I have said is that I am pleased that we can avail of income support schemes for people in the group, and, if schemes are available that provide some short-term benefit to our employees, we certainly will avail of that. I am very thankful for the measures taken by the Chancellor to ensure that will be the case. The other issues you raise will be subject to the consultation between the elected representatives and British Airways. I am confident that all of those issues will be addressed through the consultation.

I tell you as an Irishman that I was very proud to work for British Airways. I am very proud to work for a company that held the British flag. I remain proud and I will be proud for the rest of my life to have worked for an organisation that carries that flag with great pride and does such a great job representing Britain in every corner of the world. I have no doubt that it will continue to do that—

Q165 **Sam Tarry:** Mr Walsh, with the greatest of respect we also have to look at your track record. You have a track record—

Willie Walsh: Which I am proud of. I am very proud of my track record.

Q166 **Sam Tarry:** You have a track record of outsourcing IT jobs to Tata in India. Those are jobs that have gone out of the UK, to increase the profit margins of IAG. That is not something that is made up; that is a fact. It is something that you have overseen. How do you answer that?



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Willie Walsh: I am proud of everything I have done. I am proud to have run a company in the way that I have done. I point out to you that outsourcing is not a feature of British Airways since I joined. British Airways outsourced its activities for many years before I joined the organisation. I have absolutely no doubt that we will continue to do so, as do a lot of other very big and very successful British companies.

I have absolutely no doubt that that will be the position going forward, in the same way as there are a lot of companies who outsource activity to UK companies. It is a feature of the global economy, and I have no doubt it will continue to be a feature. We will do what is right to ensure that we have a business that is as efficient as possible to enable us to compete effectively on a global scale. That is what we compete with, and we will do so with pride.

Q167 **Sam Tarry:** So the staff who have spent 20 or 25 years building up their years of service are just going to be collateral damage, are they, Mr Walsh?

Willie Walsh: That is not what I would say. I would say that I deeply regret, as I am sure you do, the impact of this coronavirus—

Q168 **Sam Tarry:** I certainly deeply regret that IAG is not using its cash reserves to save British jobs. I absolutely regret that; I think that quite frankly it is a disgrace, Mr Walsh.

Willie Walsh: I deeply regret that the coronavirus crisis has had such an impact on the aviation industry and, as a result, has led to the requirement to restructure our business. I am confident that that restructuring will be done in a meaningful way through consultation with the elected representatives and British Airways. We will do everything that is necessary to ensure that we survive.

I do not want to comment on how you would run a business, but the idea that you can exhaust all your cash and hope that at the end of it you still have a business is clearly not something that any responsible business person would do. We have to take measures to ensure that the cash we have can enable us to survive through this crisis and, where possible, take measures to augment that cash through additional debt. But at some point you will have exhausted, as the Chancellor has made clear, all available avenues. We are doing everything we can to ensure that British Airways will survive through this crisis and that we will have a basis to compete, and continue to compete, on a global scale once we get through it.

Q169 **Ruth Cadbury:** The proposals that BA has outlined to its workforce deeply undermine terms and conditions for all staff, including those in the mixed fleets who already have very poor terms and conditions and very low pay. In Spain, I understand that in the Iberia and Vueling offer some redundancies were announced but that in Spain no one can be made redundant until at least six months after the end of the furlough period,



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and those staff are not being asked to reduce their terms and conditions. Is it right that we have one rule for BA staff here and another rule for IAG staff in Spain?

Willie Walsh: It is not a rule. It is what applies in the different countries. I point out that Iberia staff only a short number of years ago went through a major restructuring of their business, where their terms and conditions were adapted. That included both their pay and their conditions of employment. There were also significant redundancies in the airline.

The terms of the income support scheme vary from country to country, but we have made it clear that we will take whatever measures are necessary in each of the organisations to ensure that they can survive. This is not about doing something specific to British Airways. What we are doing with British Airways is to ensure that BA can survive. We will do what is right for Iberia to ensure that Iberia can survive. Quite honestly, it is probably facing as big a challenge, if not bigger, than British Airways.

I assure you that the management team at Iberia will be doing everything that they possibly can to right-size Iberia, to ensure that it can survive through this and can continue to compete as it has done prior to this.

Q170 **Chair:** Mr Walsh, I want to touch on a couple of your airports, specifically in terms of your operations from those airports: first, Gatwick, where BA accounts for 17% of all Gatwick's operations. Do you see a future for British Airways at Gatwick?

Willie Walsh: Yes, I do.

Q171 **Chair:** Is that a commitment to return operations to Gatwick on that basis?

Willie Walsh: No; it is future and I hope that with consultation those issues will be addressed. If you are asking me whether I see a future, yes, I see a future for British Airways at Gatwick.

I like Gatwick. I think Gatwick is a better airport than Heathrow in many ways; it is better run and the management team are more commercial. I think the customer base is one that we would want to serve. The challenge we face at the moment is doing what is right in the environment that exists, but I would like to think that British Airways will be operating at Gatwick in the future.

Chair: Gavin Newlands has a related question.

Q172 **Gavin Newlands:** Glasgow and Edinburgh airports have twice the number of flights to London City airport as to Gatwick. Is there a future for BA or BA CityFlyer at City following the end of this coronavirus period?

Willie Walsh: That is something we will have to see through the consultation. The one thing I would point out is that London City airport



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was the airport that had the greatest challenge as the evidence of the uncertainty and the downturn became apparent. It was the first airport that I am aware of that basically closed. It was the airport that had all of the traffic removed ahead of pretty much every other airport in Europe.

That clearly points to the specific customer segment that supports London City airport. I think the airport is one that will be greatly challenged as we go through this and, indeed, as we come out of it. Our future there will be something that we consider in consultation with the elected representatives of the BA CityFlyer operation.

Chair: We move now to the subject of passenger refunds.

Q173 **Simon Jupp:** Mr Walsh, thank you for appearing in front of the Committee this morning. I am getting many frustrated emails from East Devon constituents asking why British Airways, the nation's flag carrier, is failing to repay them and other customers for cancelled flights. Can you answer that?

Willie Walsh: I assure you that where customers are entitled to a refund they will get it. We apologise for any delay that customers have experienced. I think you will appreciate that we are dealing with an unprecedented level of cancellations and refunds, but we are committed to giving customers the refund they are due. We appreciate the patience that has been demonstrated by most, if not all, of our customers as we go through that process.

Q174 **Simon Jupp:** How many of your customers are currently awaiting refunds?

Willie Walsh: I do not have the specific figure. I can tell you that since the beginning of March IAG has refunded over £1.1 billion.

Q175 **Simon Jupp:** Will you commit, having not known the figure—understandably in the circumstances—to reply to the Committee with a letter setting out how many refunds have been given out up until today?

Willie Walsh: The one thing I would say is that it changes every day.

Q176 **Simon Jupp:** It is a yes or no question really. It is not one you can answer with anything further than yes or no.

Willie Walsh: I will answer with something more because I want you to understand that the situation changes. In many cases, it will depend on the number of customers who have applied for the refund. We do know how many—

Q177 **Simon Jupp:** Taking into account the amount of the refunds that have been requested up until today, will you reply to the Committee with a letter about how many have been given out so far? That is a simple yes or no question. I appreciate that times change. I appreciate that customer levels of refunds will go up and down throughout this crisis, but up until today will you promise to send us those details?



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Willie Walsh: I will certainly look at doing that, yes.

Q178 **Simon Jupp:** Thank you. How long, on average, is it taking to refund passengers? Do you know how much money is waiting to be paid back at the moment?

Willie Walsh: As I said to you, I cannot give you specifics. We are attempting to refund people as quickly as possible. We have given a commitment that all customers who are entitled to a refund will get a refund.

Q179 **Simon Jupp:** In terms of the refund process, applying for a refund for anything is relatively painful, but it should not be. We have been told that you have removed the online refund section of your website and that customers need to ring you to receive a refund. Why have you done that when the online refund system has worked in the past?

Willie Walsh: Because the online system was not set up to deal with the volumes of activity that we are currently experiencing.

Q180 **Simon Jupp:** Is the new system coping with the volume of correspondence that you are currently receiving?

Willie Walsh: It is coping as best it can, given that most if not all of them have to be manually processed at one level or another to ensure that the refund is correct.

Q181 **Simon Jupp:** Do you admit that it is a more frustrating process for people who will be on the phone for a long time? I realise that your call centre opens at 6 am, but there is a long time for people to wait on the phone and it is very frustrating. Is that perhaps designed to put people off from going through the process at present?

Willie Walsh: Most definitely not.

Q182 **Simon Jupp:** You reportedly have fewer staff in your call centres to deal with these inquiries. We realise that social distancing and other measures put forward for workplaces make it quite a tricky situation, but do you recognise the unnecessary stress this could cause to people whose custom you should value even more at this time, given that you want them to be future customers?

Willie Walsh: We certainly value our customers and we appreciate the patience that they have shown. You are quite right that as a result of social distancing we have not been able to operate the call centres in the same way. We have significant numbers of people working from home. We have to ensure that the security arrangements in place to do that are proper to deal with the sensitive information that those people are dealing with.

Q183 **Simon Jupp:** Can you tell us how many of your staff who usually work in the call centres are currently working, in terms of numbers, so that we have an idea what the impact of social distancing has been?



Willie Walsh: No, I do not have that figure.

Q184 **Simon Jupp:** Are you planning to review the refund system that you have put in place to ensure that it is serving its purpose? My inbox has been quite busy over the last couple of weeks with people who are frustrated with the refund system that you have put in place, and, to be fair, other airlines as well.

Willie Walsh: I am glad that you mentioned other airlines because I do not think the challenges are unique. In fact, I suspect that we are operating in a much more convenient manner. Many airlines have talked about taking at least six months to refund people. The scale of this is different from anything that we have experienced.

Yes, we review it all the time. If we can improve the situation and make it easier for people and more convenient, we certainly will.

Q185 **Simon Jupp:** Is there a cause to up the number of people who are able to answer the phone? Once again, I say to you that many people are waiting a very long time to get through to your staff. We have gone through the process of why that might be, and we understand why, but perhaps it is time to up your game a little bit and include more staff in that process.

Willie Walsh: If it can be done, we will do it. The thing you have to understand is that anybody dealing with these processes needs to be trained. How we do that training in the current environment is very different from how we would have done it in the past and is clearly much more difficult as a result of having to do social distancing. We are trying to get as many people as we possibly can. That is evidenced by the fact that not all of our employees have been furloughed under the job retention scheme. In fact, I am not aware that anybody in the call centres has. We have been supplementing people in the call centre with experienced people from other parts of the business to ensure that we have as many people as possible who are capable of doing that work.

Q186 **Simon Jupp:** You are offering vouchers to customers via your website. Given the publicity about financial difficulties, why should people trust your voucher scheme?

Willie Walsh: It is an option that we make available to people if they wish to cancel their flight in advance. They can wait, if they like, until their flight might be cancelled. Clearly, if a flight is not cancelled and they are unable to travel, they are not under law entitled to a refund. We are offering people as much flexibility as we possibly can.

If you have not already understood the determination that we have to ensure that we work our way through this and survive not just the immediate crisis but in the long term, I am disappointed that I have not managed to land that message. I would have thought that it had become very clear to everybody who is listening.



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Q187 **Simon Jupp:** In that case, going back to the vouchers for a second, how many vouchers have been issued so far?

Willie Walsh: I do not have that figure.

Q188 **Simon Jupp:** Earlier, you committed to letting us know how many of your customers were waiting for refunds as of today. Do you also commit in your response to the Transport Select Committee to let us know how many vouchers have been issued so far? Once again, I am getting complaints from constituents—I am sure other Members are as well—saying that the process is quite long and convoluted. Therefore, we would like to assess the success of that particular way of working.

Willie Walsh: I will certainly have a look at that. I would, however, make the point that for you to assess the success you would need to assess us relative to everybody else. Clearly, that would give you an indication as to how successful British Airways is. I suspect that we have been more successful, or customer focused, than many of our competitors, simply because many of our competitors will not have the financial resources to enable them to exercise the refunds in the way we have done. I have no doubt that that is something the Committee will be looking to do with other airlines operating in the UK.

Simon Jupp: We look forward to your letter. I sincerely hope you are right, in that case, for my inbox and many other MPs as well. I will hand over to Karl McCartney.

Chair: Karl, you're on mute.

Willie Walsh: Chairman, this was scheduled to last for 90 minutes.

Q189 **Chair:** Could you give us another 10 minutes, Mr Walsh? Would that be okay?

Willie Walsh: No more than that, I am afraid, Chairman, because I have other commitments. As I said, we were scheduled to finish at 11.30.

Chair: My apologies; it should have said 90 to 120 minutes. Let's take no more than 10 minutes of your valuable time.

Karl, are you back with us? We are struggling with Karl. We will come back to Karl, but we will move on to the health implications for protecting passengers and staff.

Q190 **Grahame Morris:** Mr Walsh, clearly the challenge we face is to prevent the spread of Covid-19. Given that we have had over 30,000 fatalities, and over 200 NHS staff have sadly succumbed to the virus, we are in no doubt about how important it is to prevent the spread.

Specifically in terms of what British Airways can do, I have always thought it was perverse that we did not have more rigorous checks at ports and airports if we were serious about preventing the spread. Mr Walsh, what steps could you put in place both to protect staff with PPE and to provide the appropriate standards of deep cleaning of the aircraft



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and so on to help mitigate the spread of Covid-19?

Willie Walsh: It is a great question. The one thing I would say is that there is very little evidence of any passenger-to-passenger contact spreading of the coronavirus. That is not to say that people on flights have not got off and then subsequently tested positive and spread it as a result.

What we can say is that we will take all measures. We are working with regulators to implement what I hope will be a common system across Europe and, hopefully, globally. It will dictate the measures that need to be taken at airports and on board the aircraft, and to ensure that all the responsible authorities are able to track and trace everybody who has come off an aircraft so that, if there is anybody who tests positive, they can be tracked.

We are working with a number of regulators. I believe that EASA, the European safety agency, will publish a draft document sometime this week that sets out the regulations they will propose to the EU27. I expect it to be a comprehensive document that will deal with all aspects of that. We will input, I am certain, and we will follow any regulation that is introduced to ensure that people can be confident that it is safe to fly on board an aircraft in this environment.

Q191 **Grahame Morris:** As and when flying recommences, are you taking steps to implement appropriate procedures for staff and to acquire supplies of PPE for staff so that they are protected and the maximum standards of safety apply?

Willie Walsh: Yes, that will all be done as soon as it is clear what elements of measures need to be taken. I support the mandating of wearing face masks, although at a time like this we do not want to do anything that would divert supplies from critical health and care areas. Whether it is a face mask or some form of face covering, I support that and I believe it should be mandated. I think that would be a positive development.

Measures need to be taken at airports. I support the temperature monitoring of customers coming into the airport and of customers arriving off the aircraft. Those are all sensible measures that can be put in place, as well as PPE for people in certain areas of activity and putting in facilities to enable them to wash themselves and comply with all the recommendations that the health specialists will be making.

Grahame Morris: Thank you. I will hand back to the Chair as I know that time is very short.

Q192 **Chair:** Karl's microphone is still not working. I am sorry Karl. It is very frustrating. I will briefly come back in and we will see if we can get Karl for a third time.

Mr Walsh, you have come back from retirement, in the sense that you



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have delayed it by six months. What will your own terms and conditions be for those six months? We heard from John Holland-Kaye, the chief executive of Heathrow airport. He is not taking any pay for the following three months. What is your own financial situation in terms of your compensation?

Willie Walsh: I think I was probably one of the first CEOs to volunteer to take a pay cut. My base salary has been reduced by 20%, which will be the case for as long as I continue in the position I am in.

Q193 **Chair:** In the event that there is success in the future, will any of that be reloaded back in?

Willie Walsh: No. I will not be paid for anything. It is pay that is forgone; I am not getting it back.

Q194 **Chair:** I will try Karl one last time. Third time lucky, we hope. No, it is still not working. I am sorry about that, Karl.

Mr Walsh, thank you very much for being so candid with the information and the answers. You always are when you come before the Committee. On behalf of us all, I wish you, your team and all the staff well in getting through this and every success for the future. Thank you very much for your time today.

Willie Walsh: Thank you very much, Chairman. I appreciate that.