



HOUSE OF COMMONS

Transport Committee

Oral evidence: Coronavirus: implications for transport, HC 268

Wednesday 16 September 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 621 - 700

Witness

I: Alex Cruz, Chairman and Chief Executive, British Airways.

Written evidence from witnesses:



Examination of witness

Witness: Alex Cruz.

Q621 **Chair:** This is the Transport Committee's evidence session following our "Coronavirus: implications for transport" inquiry. We are covering matters with regard to British Airways. We have one witness before us today. I ask him to give his details.

Alex Cruz: I am chairman and chief executive of British Airways.

Q622 **Chair:** Mr Cruz, thank you very much for being with us. We had an evidence session with Willie Walsh, formerly the chief executive of your parent group. We were keen to hear about a number of matters, and you very kindly agreed to come back and give us an update.

I will start by going back to where Mr Walsh left off: the situation with your company and with aviation in general. Passenger numbers had fallen by 98% at the height of the lockdown. Mr Walsh stated that you were operating at just 20% of capacity during July.

I was hoping that you could provide us with an update and an overview of the additional challenges that you may have faced over the summer.

Alex Cruz: Thank you very much, Mr Chairman, for the opportunity.

This is indeed the worst crisis that British Airways has ever gone through in its 100-year history. Covid has devastated our business and our sector. We are still fighting for our own survival.

Last week, we flew approximately 187,000 passengers on different flights in and out of the UK. In the same week the previous year we flew just under 1 million passengers. We are running between 25% and 30% of the normal flight schedule, and this is six months into the pandemic.

The relationship is very clear. Fewer passengers mean fewer flights, and fewer flights mean fewer people are required to service them. As CEO of British Airways, I have to take responsibility. I cannot ignore the situation. I had to act incredibly fast.

I deeply regret that way too many loyal and hard-working colleagues of mine are having to leave our business. I understand why MPs are concerned. This is an impossible situation. We are having to make incredibly difficult decisions as a consequence of this pandemic. It is really only because of Covid-19 that we have had to go through such deep restructuring.

I have to make these difficult decisions at this time, but I am completely dedicated and focused on protecting those nearly 30,000 jobs of all the British Airways colleagues who will remain in the business.



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In summary, this is the worst crisis for BA and still, six months on, significantly fewer passengers are travelling daily throughout the British Airways network.

Q623 Chair: What do you see in the coming months? Do you see good news on the horizon, or are you still much concerned about the direction that Government policy may have on your ability to get more people on those flights?

Alex Cruz: We remain worried with regard to the evolution of the rest of the winter season. We are encouraged by the potential decision to get slot relief throughout all European airports, but the fact remains that people are still afraid of travelling.

Of course, we are having weekly changes, as you know, to the quarantine list. We do not have a testing solution yet. Our customers are still paying APD, even to fly on domestic regional flights.

The overall situation is quite challenging. This is why we are taking every possible measure to make sure that we can make it through this winter, and that we can join the recovery—hopefully, in the next few years—and continue to expand our network and look for ways to make it through all this negative impact.

We do not see a short-term coming back of our passengers from the feedback and the data that we get. All the companies and consumer groups that we speak with are still pointing at a slow recovery process.

Q624 Chair: You have touched on the business difficulties. You have also been through a restructuring of your staff, which you touched on. When we took evidence from Mr Walsh there were plans to make up to 12,000 redundancies. You touched on the remaining 30,000 staff. Our report highlighted concerns that they may have their terms and conditions changed if they were able to stay on.

Do you have an update on how those restructuring and negotiation plans are going with terms and conditions? Would you be able to share that with the Committee?

Alex Cruz: Yes, absolutely. As you know, as soon as Covid-19 began to spread and restrictions began to be applied across the world, we began to consult our industry bodies and our sister airlines within the group to try to come up with the best understanding of how deep this crisis could go. Towards the middle of March it became apparent to us that the impact of this pandemic was going to be the highest ever impact of any previous crisis that our sector had ever gone through.

Therefore, in following the law and the Trade Union and Labour Relations Act, in April we filed the section 188 and HR1 forms with the Government and with the unions outlining the maximum number of people that we thought would be affected by potential redundancies, as well as a large



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collection of topics that we wanted to enter into collective consultation about with the unions.

The reaction was different from the different unions. We had an immediate engagement with the pilots union, who were interested in looking at the financial details. We shared each and every one of our forecasts and cash positions. It took them just hours to react. We began to meet them in very intense and very difficult yet very constructive and productive meetings that ended up in an agreement a number of weeks afterwards with the pilots, which we are in the midst of implementing.

Unfortunately, the non-pilot unions chose a different path and decided not to engage with us. We sent them over 500 pages of proposals, ideas and potential mitigations. We invited them to over 520 different meetings, which they did not attend. It took 73 days before the trade union representatives were allowed to come and meet us.

I am pleased to tell you that since then—and today is day 140 of this consultation process, which is still ongoing—and since the non-pilot unions began to engage with us, we have been able to reach and sign agreements. I believe that as we speak the remaining large areas within British Airways are being balloted, as we have reached agreements in principle that will mean that there will be no need whatsoever to issue new contracts. It will just be using the standard methodology of the union agreement, which makes some amendments to existing contracts. We hope that the majority of that process will finish this week.

Q625 Chair: That sounds like a positive update. What has been termed “fire and rehire” seems to be off the table. Are you now following an approach similar to Ryanair and some of the other airlines, whereby staff take a reduction of below 20%, say, and those amounts may be won back if better times arrive?

Alex Cruz: I cannot comment on what Ryanair has done. Ryanair is a completely different airline from ours. They just fly in Europe. We fly globally in very large aeroplanes with multiple classes. What I can tell you is that, as we communicated over and over again to our staff, our intention from the very beginning was to reach agreements. This was the right way to go about it. We were able to sit down with the pilots union from the outset and reach an agreement within a few weeks. I frankly regret a lot that it took such a long time for the other unions to sit down. I am very pleased that, even though we are on day 140 and nearly 100 days beyond the statutory 45 days, we have reached these agreements in principle. I think that is what matters. That removes uncertainty and provides a framework for us to face the next phase of this pandemic.

Q626 Chair: Again, we are going to go into the detail, but I want to make sure I am setting out the situation as you have just given it. What has been termed “fire and rehire” is now off the table and, as a result, it is a more conventional reduction in pay in return for perhaps that amount to be given back. I want to be absolutely clear that that is the case. That is quite



significant. It was on that aspect that our Committee report over the summer was quite critical of British Airways. That is a change of position.

Alex Cruz: To match your wish to be absolutely exact, and to be fair both to my staff and to the trade unions, I understand that as we speak we have reached agreements in principle with the majority of the areas. Some of those areas have already balloted and accepted those agreements. Some of those areas are in the process of balloting. I think it would be fair to say that we very much hope that the results of those ballots will be to accept these agreements. That will end this process and will bring the certainty that we are all looking for.

Q627 **Chair:** That is very welcome news and a welcome development. I hope that continues to be the case. We will drill into that in a bit more detail.

I do, however, want to give you the opportunity to comment on this. Over the summer, after our report was issued, you were critical of it because you felt that it was not based on the facts but rather on rumour and emotion. I want to give you the opportunity to point out which parts of our report were not based on facts, in your belief.

Alex Cruz: I agree with many of the sections of the report, but there are statements in the report that are incorrect. For example, there was a suggestion that a consultation that we were involved in was going to finish on 15 June, and yet here we are on day 140 and the consultation—and very rightly so—continues.

I am here today to answer your questions in this Committee in good faith and to tell you about this incredible crisis that BA is facing and how we at BA are responding to the impact that this pandemic is having on our business.

Chair: That is fine. I wanted to make sure you had the chance to put that on the record. We can perhaps go backwards and forwards on what is and is not a fact, but it is more encouraging that you are making a breakthrough for your staff, so let us be positive.

Let us start to go into detail. We will, first, ask you a bit about quarantine and the new air bridges or travel corridors. I will ask my colleague Lilian Greenwood to take us through this section.

Q628 **Lilian Greenwood:** There have been a number of changes in the approach to quarantine. We have moved from the 14-day blanket ban for all locations. It has gradually changed over the summer period, but in recent weeks there have been differences in approach between the different nations across the UK.

How does the Government's current approach to quarantine affect your operations? What communication have you had with the Government prior to changes in the rules?

Alex Cruz: I understand that the Government are facing their own set of challenges dealing with the pandemic across all areas, and particularly in travel. The degree of contact we have had with the Government has been



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very active. I would say it is even more than weekly through different working groups. I have been in contact with Ministers and Secretaries of State at different points in time as different changes were being considered.

As I mentioned in a letter to the Prime Minister just a few days ago, in the end there are different areas of work that are extremely urgent that we need to address. As you mention, the quarantine policy is one of them. Before that, it is incredibly important that we reach a testing regime of some sort as quickly as possible so that we can reduce that quarantine time to the minimum possible.

We are making a suggestion that we actually run a test between London and New York so that we can give authorities on both sides of the Atlantic an opportunity to test different ways in which a particular testing regime will work. This is imperative so that we can drive the confidence of travellers and get business going again.

As you mention, I also believe that we have to continue working on the current scheme of quarantine. The weekly announcements of countries going in and out of the list are incredibly disruptive. It is disruptive primarily for our passengers, who are having to either make changes to their reservations at the last minute or feel that they have to come back at the very last minute.

I should also say that it is very disruptive to an airline such as ourselves across many different areas. If I were to choose one, I would say that we are having to standby new aircraft and new crews. We have a lot of volunteers trying to help out at this time. Enhancing the current scheme to make it more consistent and deliver less change on an ongoing basis would definitely provide more confidence in travel.

The final point I addressed to the Prime Minister in my letter was around APD—a tax that we have spoken about for such a long time. I do not want to go over all the many reasons why we believe it is wrong, but what is wrong today is that it is disabling regional travel. The fact that today more taxes are being paid on a return flight to Glasgow, Edinburgh, Aberdeen or Manchester versus a return flight to Rome or Paris should not be accepted. We need to find ways to stimulate travel. We know that if we were to get a waiver on APD for some years it would make a huge difference in our being able to get travel back up and running.

BA has acted quickly and decisively. As soon as we realised that this pandemic was going to have a huge impact on our business and our workforce, we began to do things. We really ask the Government to begin to change quickly.

Q629 Lilian Greenwood: I am sure that my colleagues will pick up some of the issues around APD. Airlines' views on APD are well known.

On the criteria for inclusion in the quarantine, is your main concern the fact



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that the Government are weekly reviewing which countries are included in quarantine? Is that not inevitable given the changes in infection rates in different countries? Or is it the fact that the criteria are not clear and consistently applied, as perhaps we saw with the issues around Portugal at the end of August, where Wales and Scotland introduced quarantine but England did not, even though it appeared to be over the limit that had been set? Is that the main issue, or are there other issues that you are more concerned about?

Alex Cruz: First, we absolutely support all the measures that the Government are taking to try to protect their citizens. Where we are mostly concerned is with the output of the current regime. Yes, I appreciate the comments with regard to how the Government have been evolving. Indeed, there was a blanket policy to start with. As you know, we challenged it and, ultimately, we appreciate that more science and a specific additional criterion was brought in to make decisions on countries.

Our main concern is the output of the current regime. The output of that is extreme variance on the number of countries that are being taken in and out, and the lack of regional consideration beyond the recent regional considerations that were made just a couple of weeks ago. We need more regional considerations to be able to fly to places where the actual rates of infection and the other metrics are significantly lower than in the UK.

We need more detail and we need it really fast. The output of that has to be a consistent list of countries with which we can do business and get the economy running again.

Q630 Lillian Greenwood: You will know that the Government are exploring the ways in which testing might be used to reduce the duration of quarantine, although having seen the current state of the testing system in the UK that is clearly some way off.

Is it your view that that is the role that testing should play: that once people have returned to the country they should be able to get a test at some point to reduce their quarantine? Having testing at airports is not going to solve it, given the incubation period. What is your proposal for the pilot with New York that you described?

Alex Cruz: Certainly, we fully understood the first step of protection a number of months ago when blanket quarantines were applied. As you know, the ultimate solution would be a vaccine, when we can all get it. What is in the middle has to be some sort of testing regime.

There are multiple ideas being put forward by different industry bodies. We have suggested this test on arrival plus another test five days later as a potential solution. We are absolutely open to many other types of testing, such as on departure together with on arrival. We just want to make sure it is understood that British Airways is there to support any such scheme as quickly as possible. We need to be able to reassure our authorities, not just here in the UK but authorities in the countries that we fly to, and the Government that all precautions are in place.



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We have made some suggestions, but the point for us in the industry is that we are sitting here and ready to go. We need some testing regime that will minimise the quarantine process so that we can get people travelling again. With the current quarantine process of two weeks, unfortunately we are not having sufficient travellers wanting to do business or go on holiday.

Q631 Lilian Greenwood: Are you seeing your competitors doing better because other countries have a different testing regime? Is that impacting your ability to improve things on certain routes?

Alex Cruz: We are a global airline. We fly to more than 100 countries around the world. It is true, you could argue, that we are exposed to more than 100 different policies. I think the UK is in a position whereby it can act faster and do more things now that will benefit the British economy and British jobs. Our suggestion is to begin a trial on testing, either on arrival or on departure. Our suggestion has been on arrival, and then five days after arrival around a particular corridor. London to New York has a tremendous amount of both business and leisure customers. Then we can have some data or reference that we can all use to replicate across other models.

There are other Governments, and I understand that our own Government are speaking with many other Governments to understand the degree of success or failure that has existed in other schemes.

Chair: We will now move to the current financial situation that British Airways finds itself in. We touched on this at the start, Mr Cruz, but we will go into a little more detail. Sam Tarry will lead us through this section.

Q632 Sam Tarry: I want to focus on some of the financial aspects of BA and IAG. Clearly, this year has been extremely challenging for the wider group and for British Airways, as you have explained, and this Committee is familiar with that.

One of the things we want to understand and be clear about is whether the measures taken by BA—decisions by you and endorsed by Willie Walsh—were justified given the cash reserves of the organisation.

Perhaps you could help me understand by answering this question. If the group is planning to strengthen its balance sheet by raising €2.75 billion of extra capital, will you be clear to this Committee what the current financial position of BA and IAG is? Could you give an indication of how long you could theoretically survive without those cash reserves? One of the things that people have found egregious is that on our reckoning you are one of the most profitable airlines on the planet. IAG has gone about buying up other airlines during this pandemic, yet the first thing you have done is enact the “fire and rehire” tough set of cuts for staff. As you have said, you regret that thousands of staff have already lost their jobs and many more are still deciding their futures.

We want to be clear on that financial aspect, because it is true, is it not, that you are in a very healthy financial position despite the pandemic?



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Alex Cruz: I think it would be inaccurate on my side to say that we are in a healthy position. If you had looked at the situation in which we ended the year in 2019, we could have asserted precisely that, but that is no longer the case.

I will answer the question with specific numbers. It is very important that we look at the impact of this pandemic. I would like to give you some very specific numbers that you can use in your analysis. We have gone back and taken a look at the financial impact that British Airways went through for 9/11 and the financial crisis. Let me choose the financial crisis. It turns out that, after the great financial crisis of 2007-08, in the first quarter of 2009 we lost £309 million. In the second quarter of this year, and the first full quarter of the pandemic—you could argue, at the beginning of the pandemic—we lost £711 million.

What is much worse than that is that there were two outputs of the greater national crisis. One was that it took four years for global air traffic to recover to the same levels as before the financial crisis. The second impact, extremely relevant to British Airways, is that the percentage of business travellers travelling in premium classes has never recovered at any point since the financial crisis.

When you look at our cash position or our profits, in a way I am thankful that we were able to deliver profits over the last three years such that it put us in a position to give us more resilience than many of our competitors around the world.

Let me be specific in answer to your question. British Airways ended up last year with £2.6 billion in cash. At the end of June we had £2.1 billion. We have been burning approximately an average of £20 million of cash per day. During this whole time we have been trying to raise money. As you know, we have been able to use a couple of the facilities that the Government have offered to industry. We have been able to raise money against our aircraft: £600 million.

As you mentioned, our group is in the middle of raising €2.75 billion. This is an ongoing process. I hope that that money will help with the liquidity of the group and that we will be able to improve our financial leverage. It will give us a little bit more room to weather what we believe is going to be a long, protracted recovery period.

Q633 **Sam Tarry:** One of the questions I have been trying to dig into as we prepared for today was looking at your own financial remuneration, which is not exactly clear from BA's accounts. There are some aggregated emoluments worth £996,000 and pay in 2018 of £1.278 million. I am aware that you are part of the IAG long-term incentive scheme, in which you have share options.

Will you clarify for the Committee—a lot of people watching today will be interested to see what measures you have personally taken during this difficult time—what your current salary is, including bonuses and share



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options, and whether your senior management team, who I understand were removed from the “fire and rehire” scheme very early in the process, have taken any cuts to their pay during this crisis?

Alex Cruz: The details are as follows. My salary benefits and pension amounted in the year 2019 to £805,000. I did not receive a bonus. In fact, no one in my management team or in my company received a bonus for the year 2019.

You made reference to shares. Indeed, at the beginning of the year I received the equivalent of 164,000 shares in relation to that performance plan of the year 2017, which are not available for the next two years.

My management team, and in fact all managers at British Airways, have taken salary cuts throughout this process, ranging from 5% for junior managers up to 20% for more senior managers. In my case I am taking a 33.3% salary cut: one third.

Q634 **Sam Tarry:** The last time we had Willie Walsh at the Committee he actually boasted that he was taking a 20% pay cut. I wrote it down at the time. He said, “I was probably one of the first CEOs to volunteer a pay cut.” When the Chair asked him about it, he said, “It is pay that is forgone. I am not getting it back.”

Would you be able to explain to the Committee how that can be squared with a bonus of over £833,000 as part of a package worth over £3 million? In fact, a significant number of IAG shareholders were in revolt about some of the staff in particular bargaining sectors at BA being offered on average an equivalent of only £300 per month for each year worked. That is obviously pretty outrageous when you think of the scale of the bonus being paid to Mr Walsh. Would you be prepared to comment on that?

Alex Cruz: I cannot comment on the decision of either Mr Walsh or the IAG board in terms of the compensation of their officers. What I can comment on is the British Airways team. The British Airways team has seen this pandemic from the very beginning as something to which we needed to respond as quickly as possible. Hence, the salary cuts that I have just told you about, and no bonus for anybody in 2019. I do not expect that anybody will get a bonus this year or for many years to come, I would imagine.

That is what I am prepared to offer to you as the experience that British Airways, its staff and management have gone through.

Q635 **Sam Tarry:** Obviously, things are going to be tough in the transport industry for the next few years. Passenger demand will need to increase for you to go back to similar levels of profitability. Are you able to say to the Committee today—and to your staff, who no doubt will be watching the Committee this morning—whether, if you go back into profit, BA employees will see an improvement in their pay and terms and conditions? Although you have tried to say that “fire and rehire” is off the table, is it not true that that is only on the basis of the contracts being agreed, and that



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actually all those contracts now have to have a 22-week lay-off clause, which is almost unprecedented and is not far from signing up to a zero-hours contract?

Alex Cruz: No; I believe I can provide you with more precise information around these topics. First, there are no 22-week unpaid leave agreements in any of the agreements that we have reached with our staff. Secondly, the majority of the agreements that we have reached with the unions make provision for coming back and having discussions about the restoration of pay in the future. There are specific methodologies and times when we will do that. It is very much the right thing to do.

Overall, I guess I would emphasise that this is information that we have shared all along over all these 140 days through multiple communications, not just with the unions but with our staff. They have seen how these agreements have been coming to fruition. Again, I reject the zero-hours comparison. I think you are making reference to a lay-off clause, which has been in many contracts at British Airways for many years now. It has never been used in the past. If you look at the specific language that has been included in these agreements in principle that we have reached, and the agreements that we have closed with the unions, you will see that we specifically mention that they will be used as a measure of last resort and that we will get together with them to look for other measures before we invoke those lay-off clauses.

That is very far from a generic description of a zero-hours contract, I believe.

Q636 **Chair:** We will come back to this point. What we are hearing you say is that the 22-week lay-off clause does not exist. We will touch on whether there may be some lay-off clauses. I think there may be seven weeks with Gatwick staff. You have also very kindly helped us, which is breaking news for us and very welcome, with the fact that the “fire and rehire” proposal is now off the table and out to ballot. We will have to see what occurs.

We are going to move to redundancies, pay and terms and conditions. Before I ask Gavin Newlands to start us off on that front, will you give us a little more detail about what is being put out to ballot? It would be incredibly helpful because obviously it stops us going over irrelevant ground if you have more detail for us.

Alex Cruz: I believe that three different ballots are about to start taking place, based on three agreements in principle that we have reached with different workforces. Each one of them has slightly different provisions, as negotiated with the unions.

Perhaps I should choose one working group that this Committee has been more familiar with—our cabin crew group. As you know, our original proposal was to bring together three different groups of people who were working in three different ways with different processes and procedures into a single one. We consulted on that very early on. We awaited feedback. It took a long time, but we ultimately got feedback, and as a result of a lot



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of hard, very intensive and very difficult work between the unions and very passionate BA people we have reached this agreement in principle. To choose one example of one of the conclusions, the maximum pay impact including basic pay and the majority of the allowances is 15%. That has been the output of the negotiations that have been taking place over the last few weeks.

If you look at the other groups you will see other types of provisions specific to them, be that baggage handling, passenger handling or so on. Each one of them is again the result of negotiations that have finally happened over the last few weeks.

Chair: Thank you. We are aware that, for a lot of your classes, some of their pay may be fixed and others may be additional—so what percentage of which? There are also staff travel allowances. I am sure we will dig in, but the more detail you can give us, the more welcome it is.

Q637 **Gavin Newlands:** Good morning, Mr Cruz. I have one quick question. At the outset of this crisis did you send section 188 letters to BALPA and the Government threatening to fire and rehire pilots in the same fashion as you did to Unite for cabin crew?

Alex Cruz: No, we did not initially, but we did follow it up a few weeks later with an additional section 188 as we were negotiating with the pilots. We told them that this was necessary to make sure we were equally aligned, and we were consulting over all the different potential possibilities. The pilots accepted it.

As I mentioned, it was a very difficult set of negotiations but very constructive and very productive. To answer your question, initially, no, but a few weeks later, yes.

Q638 **Gavin Newlands:** That may be why you had different engagement between the different unions and sections of the business.

When Mr Walsh gave evidence to the Committee, he said that the 12,000 figure would be the maximum number of redundancies that would be required. Given the updates you have given, do you have any specific numbers? How many redundancies are you now planning for in total?

Alex Cruz: If you were to add up all the numbers of the different forms that we filed with the Government, when you look at all the different work groups of British Airways the number is just over 13,000. It was in the very high 12,000s, which, ultimately, when we reconciled all the numbers was just over 13,000.

As of last Friday, approximately 7,200 people have left the business. That is the number between July and August. We are still obviously going through the motions in September. If you were to ask me for an approximate number that we believe at this time may be the end result, the closest number I can give you is probably close to 10,000. This is a process that remains open. We remain in consultation on a number of



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areas. We want to continue working with the unions on further measures to mitigate the impact of this pandemic. These numbers may vary a little bit over the coming weeks, but these are large numbers. It has taken a while, but we have been able to come up with a number of measures that have mitigated this tremendous impact of the pandemic.

Q639 Gavin Newlands: Thank you; I appreciate that detail.

You touched on the fact that you could not get into the remuneration decisions of the IAG board. How many jobs do you think could have been saved had the bonus to Mr Walsh not been paid and, more importantly, hundreds of millions of pounds not spent on a new airline in the middle of a pandemic? How many jobs could have been saved if that money had not been spent?

Alex Cruz: To clarify, I am not aware of IAG buying any airlines or being involved in any financial transactions of any sort. I do not believe that has happened in any way.

In any case, it is really important that I convey to you the nature of what we are facing. Some of your questions denote a certain optimism, which I really would like to share with regard to the impact of the pandemic. We cannot find much data or information that would support that optimism at this time. In fact, we can find lots of information to support that this is going to be a very long recovery process, during which we will have some fundamental structural changes to the make-up of our passengers and demand across the globe. That is what we are trying to respond to. That is what you will find the British Airways team completely focused on managing at this time.

Q640 Gavin Newlands: I am aware of the scale of the challenge facing industry. I am very much an industry watcher, and I have been urging the Government to step in and help and support industry for some time. I will continue to do so. Are you confirming that IAG is no longer interested in buying Air Europa? Is that what you are saying?

Alex Cruz: No. The previous speaker made reference to a transaction having been completed. It is my understanding that no transaction has been completed. I think that IAG made some announcement last week. I believe it still has some interest in this asset, but no transactions have taken place.

To make it clear, this is not a British Airways transaction. I can probably take you a few years back when Iberia was going through a huge restructuring process as a consequence of many years of consecutive losses. During that time British Airways, already a sister airline to Iberia, proceeded with the purchase of British Midland. It was a British Airways and British transaction. I believe in this case it is entirely an Iberia and a Spanish affair that is taking place, if it takes place. Again, it has nothing to do with British Airways. We are completely focused on the future of British Airways.



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Q641 **Gavin Newlands:** I want to move on to the “fire and rehire” issue. Going back to my initial question, do you think that the section 188 letters threatening the “fire and rehire” if you were unable to reach an agreement were an appropriate starting point for negotiations?

Alex Cruz: Absolutely. The Government are extremely clear in their requirement to state outright what the scope is of all the potential topics that will need to be discussed as part of a consultation. That is precisely what we did. Not only did we make our best estimate of the potential maximum number of redundancies, but we also laid out all the different topics we wanted to sit down and begin to discuss with the unions. That is precisely what we did. You mentioned one of them, but there are many other topics on which we have been in consultation with the unions during these 140 days.

We had to be comprehensive. This is by far the biggest impact that this industry has ever gone through. The degree of uncertainty that this pandemic has brought to our business could only be matched by extremely productive and intensive discussions with the unions, looking for ways to mitigate this impact. Yes, we set out from the very beginning to be as comprehensive as we could be and include as many details as we could in order to get to a point, as we are today, where we believe that all these measures and agreements will allow us to protect more than 30,000 jobs.

Q642 **Gavin Newlands:** I appreciate the legislation, but it was still the airline’s decision to threaten the firing and rehiring. It did not have to. Regardless of the welcome development, as the Chair mentioned, of the potential agreements with the unions, to my mind the firing and rehiring has still had an effect and it has already taken place. Many thousands of British Airways employees have left the business. Very difficult decisions have been made, whether or not there are new or reduced contracts.

You will see the outcry across the country on “fire and rehire”. Indeed, it even inspired legislation that I have tabled in the House of Commons to outlaw this practice. Was this solution or decision entirely your decision, or was it suggested by your parent company?

Alex Cruz: I am the chief exec of British Airways. I am managing this process. I have an incredible team of over 100 people who have been working through weekends, holidays and personal circumstances with only a single objective of reaching an agreement with the unions. It has been extremely frustrating at times, but we have persevered. Forty-five days was the minimum statutory time. We are on day 140 today. I am pleased to share this news with you, so it is entirely right to say that our intention from the very beginning was to engage in constructive, meaningful and collective consultation with the unions. I am pleased that we did that with one of the unions. I am pleased that we eventually did it with the rest of the unions. I think that is what matters to the rest of my staff at the moment.

Q643 **Gavin Newlands:** Was Mr Walsh or anybody at IAG involved in this



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decision, or was it solely your own?

Alex Cruz: It was entirely, solely, the decision of my team and myself, of course. This is a British Airways affair. It involves British Airways colleagues who have been with the company for a really long time. This is entirely a British Airways decision and process—a series of decisions, yes, of course.

Q644 **Gavin Newlands:** My final question, before I pass on to my colleagues, is that essentially the rest of IAG—pilots, crew—in Ireland and Spain cannot be threatened with the “fire and rehire” practice because it is illegal in Spain and Ireland. Do you think that practice should be illegal in the UK as well, or are Spain and Ireland just backwards?

Alex Cruz: I have seen other countries across Europe, but I am ever so slightly more familiar with Ireland and Spain because of our sister airlines. The legislation has different provisions for the overall management of situations like these and is different from the UK. We have from the outset wanted to have a set of conversations with the unions, to use their expertise and resources to come up with conclusions that would help us as a company and our staff to be able to reduce the uncertainty produced by this terrible pandemic. That is what we have been trying to do.

The focus is going to be to continue working with the unions, to try and reduce that uncertainty. I cannot influence or change the legislation of our country or other countries at this time. I must act now. I must take decisions now. I must protect British Airways at all costs at this time.

Chair: We will continue with a number of Members on the same point.

Q645 **Greg Smith:** I would like to start, if I may, with a particular number of employees—predominantly pilots—who came to British Airways from the Royal Air Force or other armed forces to take up careers in civilian life. I raised this with Willie Walsh when he appeared before us earlier in the year. He welcomed the concept of the scheme that while those pilots had left the military for a reason, having served their country for five, 10, 15 years or however long it was—the concept of either not having a job or going back to the military—clearly going back to the military was a good thing.

However, as part of that deal it was suggested that they would be on secondment to the RAF with a clear path back to British Airways once there was a job for them as air travel increased over the next couple of years. I have heard from some pilots who are part of that scheme that actually not that many have been accepted back into the Royal Air Force, and that, of those who have, half of them, it has been suggested to me, have since received compulsory redundancy and therefore do not have that secure route back to British Airways. Can you comment on that scheme, please?

Alex Cruz: First, I would say that I am extremely grateful to the RAF for having engaged with our pilot management team and our pilot community particularly over the last few months to try to understand whether there was an additional outlet for some of our pilots to join the RAF for a period of time before they return to British Airways. I am aware of that particular



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programme and I fully support it. I think that British Airways has a long history of engagement with the UK armed forces, and it will absolutely continue.

I am afraid that I am not fully aware of the specific cases that you are making reference to. However, the overall tone and attitude that British Airways has shown, particularly towards those colleagues that come from the armed forces, has been of tremendous support. I absolutely believe that we will continue to look for ways to continue extending that support all along.

On the specific case to which you are making reference, I am afraid I do not know the details, but I would be pleased to come back with specific information on them.

Q646 Greg Smith: That is very helpful. I accept that you do not have the precise numbers to hand, but will you specifically come back to the Committee over the next few days with the total number of pilots who have returned to the RAF, or indeed any of the other armed forces? Of those who have returned to the RAF, may we please have an exact number of those who are officially seconded and those who have been issued with compulsory redundancy? I would welcome that data. I am sure that as a signatory to the armed forces covenant British Airways would always want to support our veterans who have indeed served their country before, for family reasons or whatever it might be, deciding they wish to go to a civilian life and work in your company. That data would be incredibly important.

Moving on to redundancies for pilots more generally, can you give an assurance that they did not follow a last in, first out principle?

Alex Cruz: The negotiation between the company and the union on this topic was quite intense in many respects because of the covenants and the statutes, and the union's own ways of working. I believe that the final scheme that was decided was a variation. It was not exactly a last in, first out variation. It was a variation that included other provisions as well.

It is not a straightforward answer. I agree with you: it is not a straightforward LIFO. It does have other provisions, and those came in agreement again between the company and the union.

Q647 Greg Smith: Maybe we can dig into that a little bit more. If you do not have the data to hand right now, I would be grateful if you made it available to the Committee afterwards. What was the average age of pilots made redundant?

Alex Cruz: We are very interested in testing all the different angles associated with people who have stayed and departed or are in the process of departing British Airways. We are in the process of doing an analysis that looks at not just age but a number of other angles. We have consulted on and followed very strict selection criteria all across. We also want to make sure that the actual outcome has been completely fair. We believe it has been. The selection criteria have been decided with the unions. Yes,



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absolutely, I will be pleased to share the conclusions of those figures as soon as we finalise the process that we are currently in.

Q648 Greg Smith: It is important that as you do that work—I will certainly be very interested to see the data as it comes back from you—we see the average age of pilots made redundant, as well as the average age of pilots retained. It has been suggested to me—and I put this to you for comment—that a significant number of pilots who used to fly 747s, which you have taken out of your fleet, are being retained on something like 60% pay in a very long queue to be retrained for another aircraft, while relatively young pilots with young families, potentially big debts, mortgages and repaying their pilot training have been let go. It will be very interesting to see the breakdowns of how that has all panned out. If you do not have the data right now, could you give a wider commentary or a broad comment on whether you think that is a reality within the company or whether some people have suggested something that just is not accurate.

Alex Cruz: There are two main points here. One is that the selection criteria we have been applying throughout this whole process were heavily consulted on. In the case of the pilots, they were designed in conjunction with the union because of the very early engagement with them. It is an out-product of a number of trade union representatives from BALPA, the pilots union, as well as from our team. That is an important point.

The second point is the same point that I shared with you before. There are no easy decisions in this process that we are in. Every single day I am speaking with colleagues of mine face to face, by email, by video conference and by letters. Everyone is facing decisions that we have never wanted to face. We think that there are many different choices that both the unions and ourselves, and everybody across the business, has had to make.

I understand the difficulty. I will absolutely share the data as soon as we finalise the current process, but I can again reassure you that the selection criteria used in the process with the pilots were done between the union and ourselves.

Greg Smith: Thank you; I look forward to receiving the data.

Q649 Grahame Morris: I would like to ask you some questions following from some of your earlier answers, particularly about the terms and conditions of the new contracts. One thing I want to clarify—I know the Chairman asked about it in your opening remarks—is that Unite and the other unions have made it perfectly clear that they are prepared to accept temporary changes to contracts with reductions in pay, terms and conditions to assist British Airways through this crisis. That has been negotiated with other airlines. The Chairman referred to Ryanair.

The thing that is problematic is if these are permanent structural changes to the contract that are going to go beyond the period of this crisis. Mr Cruz, are you and your top management team, who are working so hard to turn around the fortunes of British Airways, subject to permanent



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changes and reductions in your terms and conditions, as are being offered to other staff?

Alex Cruz: First, I would say that we did not have an opportunity to consider some extremely good suggestions that eventually came to us for more than 73 days. During this period we were making these suggestions and proposals. Unite and the GMB were not responding. They were asking their members not to respond.

Q650 **Grahame Morris:** You said this earlier, but I must insist. My colleague Gavin Newlands pointed out that, when section 188 redundancy notices are being served, I do not think we can expect any other response, but the issue is in relation to the permanency or temporary nature of these contract changes. I am sure that you would agree that every good organisation, be it the NHS, British Airways or a construction company, relies upon an experienced, committed and loyal workforce. Our concern as a Committee is your actions in permanently reducing terms and conditions. Is that the right course of action? Are you as an individual, and your top team, subject to these same draconian changes?

Alex Cruz: Frankly, I wish I could share this optimism when you make reference to temporary measures. There is no data to support that this is a temporary effect for the airline industry. All the data and information we have—and all the prior crises that were significantly smaller than this crisis—point towards one thing. Things have changed. The airline industry is fundamentally different.

We set out to consult the unions on both permanent and temporary measures. If you look at these agreements that we have reached in principle with the unions, you will see that there are both some permanent measures as well as some temporary measures. You will also see that there are provisions within those agreements to get back to the table and to analyse the position of the airline in the future and how we can get back to restoring some of the pay conditions that were there. We will have to examine that once we get to that point.

To answer your second question, absolutely: there is a negative structural impact, not just to the company itself and its employees but to all of its employees. They are having to make significant changes to the way in which they work and the way in which they are being remunerated.

Please do not lose sight of the fact that this is not just going to go away. The impact of this pandemic is going to be with us for many years. It is my responsibility to make sure that we act now. I want British Airways to be a company that makes it and continues to serve the role that British Airways has been serving over all these years.

Q651 **Grahame Morris:** You did not answer my question on whether you personally, and your top team, were going to be subject to permanent contractual changes, as are the rest of the workforce.

Let me ask you something else. Have you finished and finalised the new



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terms and conditions that are going to be offered to the staff who remain? You told the Committee a little earlier that almost 13,000 staff would be made redundant. Have those new terms and conditions been finalised?

Alex Cruz: To be specifically precise, I said that the combined number of the filings of the HR1 forms amounted to 13,000, but that we did not believe we were going to need to get to that number any more thanks to the good work and ideas of most of our staff and the work we have done with the unions.

To be precise, where we are at this moment is that we have already signed agreements with several of the work groups. We have agreements in principle with at least another three groups, which will mean the vast majority of staff at British Airways. There are some additional, smaller groups of people whom we will continue to consult with as their consultation process started later than late April.

We are following the same process across the whole company, but the bulk of British Airways employees is covered by these already signed agreements or agreements in principle that we hope will be balloted favourably in the next few days, meaning that we will not need to use their contract.

Q652 **Grahame Morris:** The Committee have been given to understand that the number of British Airways employees who have been selected by the company to remain on revised permanent structural changes to their contract have been given only until this weekend to decide whether to accept new terms and conditions, which have yet to be finalised. Is that correct? How can anyone reasonably ask employees to accept new contracts when they do not know what the terms and conditions are going to be, and the implications for them?

Finally, why are you applying pressure—for example, withdrawing the concession for former employees? That seems completely unnecessary to persuade them to sign or take redundancy without any recourse to legal redress.

Alex Cruz: To be correct on the first question, we are in the process of this particular set of ballots. Indeed, Saturday 19 September is the closing date.

To make it clear, this process did not start just last week. It started months ago. Every single week we have had many video calls, emails and documents sent, an extremely informative intranet, with information that people can go to 24 hours a day, with copies of agreements and explanations of agreements. We have answered tens of thousands of emails on specific questions that our staff have posed to us over the last several months on the proposals that are being made.

I am aware that, as these agreements have been coming into place throughout the different groups, more questions have come through and



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more clarifications have been provided online, in one-to-one briefings and through multiple communications.

I would say that the amount of information that is available and the number of channels that are available to our staff are immense. I have to say that I have been answering some of the questions. It is only right that I do so when I can and when an employee writes to me with their specific stories.

There has been a lot of time to be able to consider this. You may know that in some cases we are providing legal advice that we pay for. It is independent legal advice as part of different aspects of this process. We are trying to be extremely supportive during an incredibly difficult time for our staff.

Q653 Chair: To be clear, Mr Morris rightly referred to the deadline of 19 September. In the earlier process it was a question of choosing voluntary redundancy or, by 19 September, choosing the "fire and rehire" terms. What you are saying to us now is that the landscape has changed: the significant change in terms and conditions to be signed by 19 September is no longer relevant because of this latest development. Is that correct?

Alex Cruz: It is factually correct for certain groups. I think it is very probable, I hope, that it will be exactly as you say it. I hope the outcome of these ballots will corroborate and confirm the agreements in principle that we have with the unions, which would then mean that there is no need to look at 19 September or any other contracts that have been issued.

Chair: Thank you for clearing that up. It is a changing landscape, and a welcome one from my perspective. That is why I want to get this on the record.

Q654 Sam Tarry: I am trying to drill into a couple of specifics that will be important to clear up for the Committee. Earlier you said that the lay-off situation was not happening in any contract. Can you confirm that that is the case for "A" scales and engineering? My understanding is that lay-offs in that section have no restriction. That means it would default to a legal maximum, which is six weeks. On my calculation, if it was every 13, which I believe it is, that equates to 24 weeks potentially in a year.

Alongside that, I want to be clear about what is happening in mixed fleet. I understand that yesterday's negotiations have happened or are happening later. We need to be clear because I do not want you to be accused of pulling the wool over the eyes of the Committee. My understanding is that the 4,000 members in mixed fleet still have an unlimited lay-off clause in their contract and that 800 of those staff are still facing the potential of a "fire and rehire" situation if they do not agree to the new contracts.

Alex Cruz: Thank you for allowing me to clarify this. Your earlier question did indeed make reference to unpaid leave and the lay-off clauses and such. Let me go through and make sure there is no doubt with regard to this.



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There are different provisions for unpaid leave within the different agreements. This is in relation to the number of people that we will need, particularly during the winter season. There was an assessment made earlier in the year, and as soon as we began to engage with the unions we began to share with them even more information with regard to what we thought was the challenge for our company when we are flying at 20%, 25% or 30% maximum of last year but still having a great part of the workforce we had last year.

The number of unpaid leave weeks varies by different groups based on agreements reached with those specific branches of the different unions. That is a different topic from the lay-off clause.

The lay-off clause already existed in over 9,000 contracts at British Airways. It has existed for many years and it has never been used during that time. We have had a number of crises, but we thought that we needed to do many other things before invoking that clause. That has been the spirit that has been guiding the usage of that lay-off clause.

As we moved into a new world of uncertainty, a world of more debt, a world with fewer business passengers and a world that is completely different from the world that we have enjoyed up until 2019, we felt that the right thing to do was first to consult the unions around many different aspects. One of these was the lay-off clauses to bring them into the same set of contracts that we had with the others.

It is factually correct that the majority of the agreements that we have agreed in principle with the unions include a lay-off clause. What the unions have been demanding—and I do not disagree with the demand—is that we put in very clear words with regard to that commitment on how those lay-off clauses will be used in the future. In fact, we have put in words that very much reflect the spirit with which those lay-off clauses have not been used over the last few years.

But we are facing a very uncertain future. There is no way of telling how traffic is going to be evolving over the coming years. It is the right thing that we all share the same degree of flexibility, and that we all work together to make sure that we exhaust every single possibility before we use clauses such as the lay-off clause. I hope this clarifies this particular matter.

Q655 **Sam Tarry:** That is an interesting opportunity. I remember when you said the Unite union's accusations of "fire and rehire" were scaremongering. You claimed this was a misinformation campaign. I welcome what you have said today, admitting that that was not actually the case and taking "fire and rehire" off the table. Would you like to take this opportunity perhaps to retract those comments previously made by you?

Alex Cruz: I have been very careful in the usage of my words. I am very aware that there is not a single soul that works in this industry that has not been affected. By that I mean everybody, and that includes our union



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colleagues. The vast majority of our union colleagues are equally passionate British Airways employees who have been representing BA for many years in some cases.

I am being very careful with my words. I deeply regret that Unite and the GMB took 73 days to sit down with us. I can only imagine what the output of this whole exercise might have been if we had actually sat down together with the pilot unions from the very beginning. It may have been entirely different.

I am very pleased that we have reached the conclusions that we have reached jointly with them. I look forward to hearing the results of the ballot over the coming days.

Q656 **Sam Tarry:** I would argue that, if perhaps you had not held a metaphorical gun to their heads in the first place, those negotiations might have happened far more quickly.

Going on to something slightly different, you said earlier—and I welcome this—that some of the new contracts will only be temporary, perhaps with an opportunity to increase pay and look at other terms and conditions. I am sure you would not want to be facing years of industrial unrest if the company was back in profit. I am sure you would be therefore seeking to improve the terms and conditions of staff at that point.

The question I want to ask you is whether you have any idea of the total cost savings from the redundancies and the potential new contracts. I am doing some calculations. You may or may not be able to answer this. I have heard evidence that it would amount to only about 4% as a saving of the total cost across all of IAG. That is a paltry figure considering the harm it has done to so many families who are now former BA staff.

What I think needs to be investigated is this. If you were to really see the benefit from those changes, those contracts would have to be in place for a very long time. Could you give us an assurance that those contracts are in fact just to deal with the pandemic and the current crisis that we are in, and are not a long-term restructuring?

I took time to read this book, and I am sure some of your staff can send you a copy given it was them who wrote it. Many of the things that you did try to implement are exactly what BA tried to do in 2009 and 2010. We have asked Willie Walsh this question, but I will ask you. Is it not the truth that actually you implemented a restructuring plan based on long-held views of IAG, Willie Walsh and yourself to deliver a fundamental change to the staff's terms and conditions at BA on a permanent basis—forever?

Alex Cruz: Mr Tarry, I think it would be crazy for anyone in this industry to admit that they wanted to make the difficult decisions that we are having to make. The position that we are in is impossible. There is absolutely no way—and my track record of just over four years at British Airways shows it—that we would have pursued this degree of structural change at this pace, with this volume of change, if we had not had this pandemic. I do



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not wish any executive or union official anywhere in the world to have to face a situation like this.

I think it is very important that I share with you what is likely to happen as we come out of this recovery. We have spoken a lot about the near term. We have spoken about a recovery period. I have to mention a few events to you, which I know you will remember wholeheartedly. You will remember the volcano. You will remember 9/11 and the 2007 crisis with the SARS virus. We have had so many shocks to British Airways over the last 20 years.

It is guaranteed that over the next 20 years we are going to have more of those types of shocks. Who knows what will be the source? BA needs to be prepared to deal with those shocks. The changes that we are proposing at the moment are as a consequence of this huge pandemic and the impact that this pandemic has had. It will also help us, as we recover from the pandemic, to be able to deal with those aftershocks. I am sure there will be some. They may be pandemic related or they may be related to something else.

The job at hand is huge. It is structural. It is really long term, and that is what we have set out to do. That is what we need to do, and that is what we needed to do from the outset of this whole process.

Q657 **Sam Tarry:** Thank you. To pin you down on that figure, are the total savings only around the mark of 4% for the total costs across IAG?

Alex Cruz: I have no idea what the total costs are of IAG. I am only focused on British Airways. It is a fair thing to do. As I equally said to my board, we do not have the final figures. There are a lot of people who are making individual decisions as we speak. There are a lot of people who are trying to understand what the best options are for themselves. As we go through and continue finalising discussions with the unions, we hope that there will be further opportunities to mitigate the impact of the pandemic and give us the flexibility to survive and compete into the future. I do not think I have that number. Maybe that is a number that we should be sharing with you as soon as we conclude this process, which I hope will be very soon.

Q658 **Chair:** We have largely concluded that section. I am going to move on to Ruth Cadbury, who may have one point before talking to you about slot allocation.

Before we do that, I want to ask you what has changed. From what I am hearing it is a welcome change, Mr Cruz, and hopefully it will be welcomed by your staff at BA in the main as well, notwithstanding their individual issues, as you have specified. I am keen to know what has changed. The overriding factor here is that you have talked about the difficulties still in the industry—the barriers to getting people flying. That bit has not changed.

What has changed, obviously, is that Willie Walsh is no longer chief



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executive of IAG. I ask this question very much from a corporate governance perspective. Willie Walsh has tried to implement these “fire and rehire” terms before and failed due to being thwarted by industrial action. We know that it is very much him as sponsor.

We also know from this Committee that, when we have tried to have anybody else from British Airways or IAG, we end up having to move the slot so that Willie Walsh attends because Willie Walsh had to be the one who attended. It struck me that he has been running the show. Now he is no longer here, and a week after he has gone, it seems a much more reasonable approach has been put to the table by you and your Spanish compatriot, Luis Gallego.

My question to you, and perhaps for the staff, is: is this now a new change of approach and a much more positive reaction towards industrial relations and corporate responsibility that the staff can look forward to a future? I know that you will not want to bury Mr Walsh in terms of the past, but perhaps it needs a change of one very dominant individual within a big company for matters to move forward to better pastures.

Alex Cruz: I cannot comment a great deal on the numerous aspects of your question. Ultimately, I have to revert to the fact that we are dealing with a situation we have never dealt with before. This has required incredibly passionate people at BA to give up hours and days of time with their families and anniversaries. It has reduced the income of everyone at British Airways. It has made all these passionate colleagues of mine deal with uncertainty in a way that we have never dealt with it in the past.

Despite not having been able to engage with some of the unions at the beginning of the process, it is fair to say that results began to be delivered once that engagement started. I think that is what we need to be grateful for. Dialogue ultimately leads to results. I am pleased that that dialogue ensued, and I am pleased that we have reached the point at which it appears we may have a solution that does not require the need to issue new contracts.

I think that is where we are. We still have a lot of uncertainty in our future. I am looking forward to closing down and finalising and signing every dot of every ‘i’ of this agreement, and getting back to work with the people who love this industry and British Airways. They are incredibly committed, as I am, to making sure that BA gets back to what it does best, which is to connect Britain with the world and the world with Britain. That is where our focus is.

Chair: That is very positive. What I would say—and bear it in mind that I am a Conservative MP—is that it strikes me that the unions were not willing to engage because of “fire and rehire”. You have now taken “fire and rehire” off the table, so the unions are engaging. That sounds very positive from management and indeed from unions. I am just pointing out that it is not a coincidence, surely, that Mr Walsh is no longer in the room.

Let us leave it on that positive note and move to slot allocation.



Q659 **Ruth Cadbury:** I will move on to slot allocation, but I want to ask a question before I do that.

BA is the UK's national flagship airline. That in itself accounts for an awful lot of company value. I accept all of what you have said in terms of the damage and cost to the business of the coronavirus epidemic, but that is true of all airlines in the UK and across the world, and of IAG. The response seems to be somewhat different in BA, notwithstanding the welcome removal of "fire and rehire" from the table.

BA went worse and harder than its parent company, IAG, and the other sister airlines, and other UK airlines such as Ryanair, who treated its staff somewhat better. There is the mismatch between the treatment of staff and the CEO's package. BA is still, as you stated today, after more taxpayers' money, in effect by seeking a pause on passenger duty.

Is not British Airways concerned about its reputation and the damage this does to passenger loyalty? What is BA going to do to address that damaged reputation?

Alex Cruz: British Airways is focused on its survival right now. This is the No. 1 focus. As you know, over the last four years I secured the largest-ever investment in British Airways: over £6.5 billion for new fuel-efficient aeroplanes, new seats, new catering, new lounges, et cetera. That has actually begun to make a huge difference to customer satisfaction and the reputation of BA. I cannot wait to get back to that investment programme and to resume investment so that we can continue that great work that all my colleagues were doing.

The main focus at the moment is to survive. We must make it through, and then we must be able to compete effectively and make it through the recovery cycle. I think you will find the vast majority of our efforts at this time focused on this. People need to get flying again. We must be able to get our aeroplanes up in the air again, and we must be able to be ready to support that as it happens. That is where the focus remains at this particular point in time.

Q660 **Ruth Cadbury:** How crucial are the take-off and landing slots at Heathrow to your company's future growth and ambitions?

Alex Cruz: You mentioned a key word there—"growth". Thank you. We would like to get back to that at some point in the future. Obviously, that is not what we will be able to do, certainly with regard to the 2019 levels.

I have seen the commentary about our slots. I understand that the actions that we have been forced to take as part of dealing with this pandemic have been incredibly upsetting. As I said before, this is the worst crisis we have ever gone through. But calling for the removal of Heathrow slots from British Airways, a British company, would have very negative unintended consequences for Britain, particularly the loss of British jobs and British taxes.



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The UK aviation market is already very competitive. We have built our portfolio of slots over a long period. If you look at the last 20 years, you will see that the majority of the slots that have become available at Heathrow have either been taken by us or by foreign carriers. To be very specific, over the last seven IATA seasons—that is three and a half years or nearly four years—95% of the slots that have been made available have been taken by foreign carriers that do not employ foreign crews and pilots, and 83% of those are Chinese carriers coming into Heathrow.

When you look at the work that BA has done, in 2000 we had 36.5% of the total slots at Heathrow. Through a series of actions and buying slots—we went into the transaction with British Midland—we ended up with a slot portfolio of about 50%: to put this into perspective, 50% for British Airways at Heathrow, compared with Lufthansa at Frankfurt with 58%, or KLM at Amsterdam with 57%.

If this strategy is to take slots away from a British company that continues to hire British people and pay British taxes, and give them over to create Chinese jobs and Chinese taxes, I do not believe that is the intention of that particular policy.

Q661 Sam Tarry: Mr Cruz, you may be aware that the allocation of slots could be redistributed in the future, looking at the idea of social responsibility. In fact, BA could even benefit from that if you act in a socially responsible way. You could increase your allocation.

Could you give a commitment to this Committee that you will learn the lessons in the future from, frankly, the debacle that has happened and has upset not just Members of Parliament but tens of thousands of families of BA staff, and clearly tarnished the brand of BA? So many MPs have been calling for you to lose the flag, which would obviously be a loss to your premium product service. Could you do that? I think that the idea of social responsibility is what any parliamentarian would want to see a modern forward-thinking company thinking about.

Alex Cruz: Mr Tarry, this is the worst crisis that the aviation industry has ever gone through. I am confident that the scope of all the measures that have been consulted on with the unions have been the right ones. I am confident that the open, communicative, transparent process that we have followed with all of our staff and with the unions throughout this process has been consistent and has given the largest number of options in order to be able to mitigate the impact of this pandemic on British jobs. I am totally focused on doing everything I can to make sure that we secure the remaining 30,000 jobs at British Airways.

Q662 Chris Loder: Mr Cruz, could you tell us how much the unused slots at Heathrow cost you?

Alex Cruz: There is no actual cost for the slots. The slots are assigned to the companies, and then the companies use them or lose them. This is the rule by the different slot authorities. We must use at least 80% of any particular set of slots during a particular season or we lose it. We are



pleased to see that lots of authorities across Europe, the world and the UK have given us slot relief during the summer season of this year. We believe that slot relief is being considered for the upcoming winter season.

Q663 **Chris Loder:** As Ms Cadbury said just now, you have approximately 50% of the slots at Heathrow. Are you going to need those slots going forward?

Alex Cruz: Yes, I very much hope so. I believe that we will do everything within our power to make sure that we try to use as many of those slots as we possibly can.

Q664 **Chris Loder:** When, currently, do you believe that you will require 50% of those slots?

Alex Cruz: I cannot say. I wish we could collectively reach a conclusion on that, but with ever-changing quarantine lists and a demand that is changing continuously with country closures still being enacted around the world—we are sometimes focused on Europe, which is very important, but we service many other countries around the world that are fundamentally closed—and with the US not allowing anyone other than US citizens, residents and special visas into the US at the moment, I cannot tell you when we will be able to resume those slots. I sincerely hope that we will get that slot relief for the winter season, and possibly for the summer season of next year so that we can all share and have flexibility to adapt our flight operations to the demand of passengers, which hopefully will be restored as quickly as possible. That is for the whole industry and not just British Airways.

Q665 **Chris Loder:** Of the 50% that you have today, what percentage do you use?

Alex Cruz: If you were to consider that we are running at between 25% and 30% this week of the operations in 2019, let us say 25% of that 50% of slots would be the right factual mathematical application in this particular week.

Q666 **Chris Loder:** So, as a percentage of overall slots, roughly about 12.5% or 13%.

Alex Cruz: Correct, at this particular time.

Q667 **Chris Loder:** Given that you have had various protections over the summer season from the 80/20 rule, we know that there is a review of that coming. Of course, the European Commission is considering that, and we know that the British Government are giving consideration to the policy in the future. As it stands today, if that protection is removed, you would by default be losing a fairly significant number of your slots at Heathrow and, I am sure, other airports. Is that correct?

Alex Cruz: I suspect that, if that slot relief is not provided for the winter season, we will have a number of airline bankruptcies and many, many thousands of jobs will be lost in addition to the jobs that have already been lost. I am not contemplating that scenario at this moment because we are



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receiving encouraging reports from Brussels with regard to the potential outcome of that reflection. We will have to deal with that when it actually comes.

I think it would be disastrous. We are not alone here. Some of you made reference to other airlines. Lufthansa, Emirates, Singapore Airlines and Qantas have received billions of dollars and euros in state aid and are proceeding with lay-offs. I read some news this morning from Lufthansa that, after being acquired by the Government to the tune of 24% of their ownership, they said they are going to have to go beyond the announced 30,000 redundancies. I cannot emphasise how difficult it is for all players to deal with this. It is not necessarily just the airlines but our suppliers.

Q668 **Chris Loder:** What percentage of your slots do you lease to other airlines, including other airlines in the IAG group?

Alex Cruz: I am afraid I do not have that measure. In the airline industry you will find the majority of airlines either leasing from or leasing to some slots at airports. That is a consequence of re-timings. These are mostly requirements that come from being able to time flights at specific times. I can provide you with that information separately if required.

Q669 **Chris Loder:** We would very much appreciate that. Do you have any intention, going forward, to lease a percentage of your slots to a sister airline such as Air Europa, which has been considered to be purchased?

Alex Cruz: While any airline has the ability to enter into discussions and negotiations with other airlines with regard to the use of slots—and if you look at the Heathrow portfolio you will see many such agreements—let me reiterate the fact that my focus is to get British Airways up and flying again. The amount of sacrifice—

Q670 **Chris Loder:** May I interrupt you? I am asking a straightforward question. Ultimately, you have 50% of the slots at Heathrow, and we could find ourselves in a protectionist situation where you keep those slots. We need to understand fully to what extent that would be happening. I would be grateful if you answered the question on what percentage of your slots you would potentially lease to a sister airline such as Air Europa, if that happens.

Alex Cruz: There is not a percentage per se. I have to reiterate the fact that we plan to get back up and running and putting our flights in. Our whole mission is to connect Britain with the world, and the world with Britain. That is a mission that no one else can do better than us, and that is what we want to do. That is why we want to get back up and running as quickly as possible, so that we can restore our connectivity with the Americas, with Africa, with Asia and with the rest of Europe.

Q671 **Chris Loder:** I appreciate that, but you are still not really answering the question. Could I just put this to you: are you ruling out the potential of leasing any of your slots at Heathrow or at any other airport in the UK to a sister airline?



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Alex Cruz: At this time British Airways is only considering every single possible formula to try to stimulate passenger demand so that we can get British Airways flights and British Airways jobs back up servicing those flights. That is where we are at the moment.

Q672 **Chris Loder:** Finally, are there any specific points that you think the Government need actively to consider in respect of their review of the reform of slots at airports?

Alex Cruz: Yes. I would be very careful to make sure that they consider British jobs and British taxpayers' money. I would be very careful that they do not generate jobs in China or in the European capitals. We want to make sure that companies such as British Airways, and primarily British Airways at Heathrow, continues to expand connectivity with cities around the world, particularly in a post-Brexit world. I expect that the Government will look at who the main actors are that are able to do that and are committed to do that. You will find that British Airways is the main actor with that commitment.

Q673 **Chair:** Mr Cruz, may I just ask about your commitment to slot allocation at Gatwick? If you are not going to be flying from Gatwick, is the intention to release slots to the airport so that it can find new entrants?

I believe the Gatwick staff are the staff who have the seven-week downtime unpaid in their contracts, which again leads us to believe that there will not be as much activity in Gatwick. Could you give us an update?

Alex Cruz: There are two points. Thank you for the question. First, Gatwick is primarily a leisure airport. As such, it is extremely seasonal. If you were to take a look at the whole airport's pattern of flying and passengers through the whole year, you would see that there is a huge dip in the winter season and it goes back up to a huge high in the summer. What we have been consulting with the unions about on the seven weeks of unpaid leave is very much intended to address not only that valley of less flying activity but the fact that it is heavily influenced by the lack of flying as a consequence of the pandemic.

With regard to the question of slots across the whole of London, I have to explain that we have not reached a conclusion yet. We are operating out of three airports in London: Heathrow, Gatwick and London City. Having slot relief for the winter will give us the opportunity carefully to plan the usage of those slots, and what the best mix is for our customers and for our staff as we face what the summer season will be next year.

It would be premature at this time to come up with and share any conclusions. There is none. We want to understand how that traffic is going to recover. We want to understand what different measures are being applied in the different markets that we serve in order to stimulate the traffic. We want to see how the slot authorities manage this challenge so that we can make some decisions together on how the traffic is divided among the three airports.



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Chair: I can tell you that your flag, your airline and your staff are much missed in Sussex, so please come back soon, if I can be parochial for one moment.

We will move on to the aviation sector restart and recovery. I will ask Simon Jupp to take us through this section.

Q674 **Simon Jupp:** Before I move on to ask you about the aviation recovery plan, I just want to place on record my disappointment at the actions of British Airways over recent months. We all understand the extreme pressure that you and many other airlines face. However, as a result of the approach of British Airways towards staff—which I am glad you are now distancing yourself from—I am no longer proud of our nation’s flag carrier. I hope that you can work really hard to rebuild that pride in short order.

Moving on, as a member of the Government’s expert steering group ahead of the release of the much-awaited recovery plan, I would like to know about the level of input you have had into this plan, and whether you felt heard by the Department for Transport.

Alex Cruz: We have had a great deal of opportunity to provide input into this group and in general to the DFT on an ongoing basis. In fact, we have at least weekly meetings, and in a number of weeks at least two meetings have taken place in which we have been given a chance to provide feedback.

It is fair to say that it was difficult to get this process started and understand what the different areas of focus should be, particularly for this particular group. I am very pleased with how the group has been developing over the last few weeks and how it is focusing on the topics that, hopefully, will give us an opportunity to recover the traffic for our industry again.

Q675 **Simon Jupp:** We are all much awaiting this report. What do you specifically want to see in it?

Alex Cruz: I mentioned to you before a number of areas that are extremely important. The focus now must be reconnecting Britain with the rest of the world. That requires reaching some sort of testing solution. We must find some temporary regime before vaccines are available at a mass level throughout the world and not just in Britain. That is why we are making recommendations, together with our industry bodies, to do test trials. We are aware that some of our colleagues at Heathrow have been running some tests. We are aware that other countries have been running tests. It is time for us as a nation to run some tests and to commit to a testing regime that will remove the time required for a quarantine process and the terrible requirement disabling the recovery of air travel in and out of the UK. I would focus first on testing.

Secondly, I think we also have to give the quarantine scheme another go. We must remove some of the uncertainty it generates. We must find a way to apply more regional filters. We cannot wait, for example, for the last US state to reach the required safety measurements in order to be able to fly.



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We must be able to fly into a different state or city in the States before all the states have recovered. More regional considerations need to be put in place.

Finally, I think that the single biggest contributor to reinvigorating regional travel will be a waiver on the APD tax. This is a tax that is putting an unnecessary burden on the price of a ticket. It is restricting people, because of the cost, in being able to move up and down the country when required in order to get business up and running again.

Q676 Simon Jupp: We will touch on APD in a minute. Do you feel that the points you have made in the meetings with the Government group—which you say are weekly, which is good news—have been listened to and will be acted upon?

Alex Cruz: As I mentioned, I think that this Committee and the Government have gone through multiple phases. There were some phases, perhaps at the beginning, that were slower as we were coming together, but I am very pleased that the tone and the energy with which this challenge is being taken on by all parties involved, particularly in the latest phase over the last few weeks, is encouraging.

We must move fast, though. We cannot wait. Every day that goes by when we do not have a testing regime is a day lost in the recovery of the United Kingdom. We must act as quickly as we can to enact some of the measures and to make sure we get people flying again.

Q677 Simon Jupp: Is there agreement among members of the steering group about the way forward? You are saying what you have said this morning. It is a familiar call on all three points that you have already raised. Is that generally agreed among the industry in those discussions? Do you think the plan will be worth the wait and will provide that comfort you need to survive?

Alex Cruz: While you will have seen that I have sent some individual letters to different Secretaries of State and the Prime Minister, you will also have seen that we have sent a lot of joint letters. There are joint letters from airlines in Europe, from IATA, from Airlines UK and from small sub-groups of chief executives and other leaders within the industry, all talking about the same problem. Broadly, they are all suggesting the same set of solutions.

Your second question is really important. Will these measures be enough? Will just a testing regime and stimulating air traffic be enough to get the recovery going? The answer is that I do not know. I think the answer must lean against us interacting daily and providing data daily on how consumers—our passengers, our customers—are reacting to all these different measures, not just in the UK but abroad.

There is one area that perhaps I have not sufficiently stated: the degree of co-operation that we need with other countries. We absolutely need to become comfortable from a medical and safety perspective with the



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measures that we take. We must talk to Europe; we must talk to the US; we must talk to other countries with whom we have really deep and very large links. We must find some sort of bilateral agreements in order to facilitate this restart. The restart will not just be about access and removing barriers. It will be about communicating, establishing more business incentives and working closer together. Against the background of a post-Brexit UK, I think we will have that pressure for sure.

There is an economic angle of co-operation that we must not forget. That also needs to be revitalised.

Simon Jupp: I appreciate that I am about to move to a different section, clearly focusing on APD, so at this point I would like to ask whether any member of the Committee wants to come in on the aviation recovery plan.

Q678 **Karl McCartney:** Mr Cruz, good morning and thank you for being here with us today.

On the last point, you mentioned other countries and how we need to look bilaterally. Can you give us an example of other airports or other Governments that are doing better than the UK Government in your view? Obviously, looking in the past we have Frankfurt and, further east, airports that are trying to take business from the UK. Can we have your opinion on that, please?

Alex Cruz: Those of us who live and breathe this industry have seen Governments taking short-term measures around testing. Originally, we saw Vienna airport taking some very immediate measures a number of months ago. We have seen Governments in Iceland and France doing some tests on some of their long-haul flights. We have seen the German Government doing things.

It would be very difficult to home in on one specific case. Normally there is legislation that surrounds that specific case that is either supportive or not. What is really important is that we get together with some of those authorities and learn what things have worked and have not worked. We can begin to implement, maybe initially through some trials, some of those measures to see whether they actually work in our environment or not.

The efforts that the Government have been making recently attest to that. They are finding out more information about what some other Governments are doing. Yes, I do believe that there are examples: some of them are incredibly extreme. I am sure you have seen the regime that Hong Kong arrivals had to go through a few months ago—the checks.

We are moving on. More technology is becoming available. I just want to reiterate the commitment of British Airways to support any such trials, but please let us do it quickly. If we could start tomorrow it would help the British economy. It would help us with British jobs. I think that is where the emphasis is. British Airways will be there to support any such efforts.

Karl McCartney: But time is of the essence. Thank you very much.



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Q679 **Simon Jupp:** We are discussing APD now in a separate section of this session. The Committee previously recommended a six-month temporary suspension of APD in our aviation report. I expect that you would prefer a much longer agreement.

Summarise for us, if you will, what the suspension of APD could mean for British Airways?

Alex Cruz: I personally believe that the suspension of APD, up until we get to the same levels of travel as we had prior to the pandemic in 2019, will be a sensible way to address the challenge that we have at hand. Generally, we are trying to suggest a minimum of a 12-month period during which there would be no APD levied on domestic travel.

British Airways serves 10 cities in the regions. We are absolutely committed to continue to restore that traffic and to look for ways to expand it over the years to come. If you have to pay APD on the way over and on the way back from Manchester, Glasgow or Aberdeen, and when you compare that with travelling over to Paris where you pay APD but you do not pay it on the way back because the tax regime is different, we find ourselves at a tremendous disadvantage. It makes no sense that there are fewer taxes on a return trip to Europe versus a return trip within our own country.

I think that the benefits are extensive. It will help to get more people to travel. It will provide access to lower fares, which will stimulate the traffic. That is the main benefit, not just for British Airways but for the British economy.

Q680 **Simon Jupp:** Do you believe the aviation recovery plan will bring good news in relation to APD? We have heard about the review, but clearly the industry, and you in particular, want answers and actions.

Alex Cruz: I do not have a position right now in terms of what the output would be. I am focused on the problem at hand. I am trying to lay out as many solutions as possible. I am trying to work with many of you as closely as possible. I am trying to interact with as many Governments as possible around the world to make sure that markets open and solutions are provided.

APD is one of those components in that whole recovery cycle. I sincerely hope that the Government will soon make a decision that will provide relief. That is one significant step. I hope that there will be many others to come.

Q681 **Simon Jupp:** Could the APD reduction result in a greener recovery for the aviation sector overall?

Alex Cruz: I think that the commitment that the industry has made—and certainly British Airways has made—to climate control is very significant. Particularly over the last five or six years we have been able to articulate very clearly what that commitment is. Perhaps I should not go into detail on that specifically, but I do not think one is related to the other. I think you will find British Airways committed, even at this time, to continue



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receiving aircraft that are the most fuel-efficient aircraft available in the marketplace. You will find British Airways still committed to continue funding some of the climate initiatives that we are currently involved in, particularly around alternative fuels. I do not think one is related to the other. I think the commitment by the industry, and certainly by British Airways, to the climate is very well known already.

Chair: In a way, you have touched on the next subject so nicely for us, because Climate Assembly UK has published its report. This Committee was one of the six that sponsored that Assembly. Lilian Greenwood will take us through this section.

Q682 Lilian Greenwood: Mr Cruz, I heard what you just said about the commitment to tackling climate change. Obviously, that is a huge challenge for aviation. It already makes up 7% of the UK's carbon emissions, and as a proportion of the UK's carbon emissions that is expected to increase very significantly in the coming months.

The Climate Assembly was made up from a representative group of the UK population. It wanted people to be able to continue to fly, but that support had limits. It recommended a frequent flyer tax that increases as people fly more often and as they fly further. It wanted to restrict the growth in aviation because of the carbon emissions it produces.

What impact do you think that tax would have on the aviation industry, and BA specifically, if that was introduced as a long-term measure? I do not mean in the short-term period, when obviously flights are way below normal, but if we looked in the period as we are heading towards 2050 when we need to reach net zero emissions.

Alex Cruz: First, it would probably be worthy for us—and maybe I could find out this information, with you—to revise the figure you used on the potential increase of emissions by the industry. I think we must revise that position because it is probably likely to be the opposite—certainly, in the position that we are in.

I know that you will be familiar with the fact that we have had to do a significantly earlier retirement of our Boeing 747 aircraft. It was very loved by many people in the British public, but ultimately it is a four-engine aircraft that we were planning to retire. Not flying those aeroplanes will definitely have a positive impact. We have not yet calculated what that is, but we know it will.

Of course, our commitment to the renewal of the fleet will make a difference, but, to come to your specific point of the tax, at this point any new tax on aviation will have a direct impact on British jobs, on British taxes overall and on the ability for British aviation to recover. This is not the time to be thinking about additional taxes. This is the time to be thinking about removing barriers.



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At the same time, I wholeheartedly agree that the aviation industry cannot consider growth unless it is able to explain and commit to sustainability coming together with that growth.

You will find that British Airways has been leading the way on this topic for many years and will continue to lead the way with Britain in the world. We have recommitted just recently to our investment in the sustainable fuels platform that we launched with two other companies last year. We are very much committed to continue doing that.

We have seen that the Government have also committed just over £1 million to this particular alternative. We would like the Government to commit significantly more funds. We must invest in alternative fuels. We believe that the technology is there to produce them. We ourselves in British Airways are prepared to continue investing. We have earmarked \$400 million already for investing in climate change. We are totally committed to finding more technology that will help us to get there.

But, no, taxation at this particular point in time will destroy our economy. I am totally in favour of continuing to look for investment and commitments to make sure that aviation can go back to growing, but only if it can do so sustainably.

Q683 Lilian Greenwood: Thank you for those comments. I do not think the Climate Assembly was talking about “in the immediate period”, when we know that aviation is facing an incredibly difficult time, as you have said.

In the longer term, as we look towards 2050, is it realistic to say that we can reach net zero if there is nothing to curb demand for flights? If passenger growth is unconstrained, is it going to be possible for the aviation sector to make its contribution to net zero? Frankly, it is not going to be possible to decarbonise flying by 2050. Therefore, there is a huge requirement to do mitigation and greenhouse gas removal to make up for the emissions that aviation is going to produce, is there not?

Alex Cruz: I think it is an extremely valid question. I should also say that we were the first airline to commit to net zero by 2050. Our own calculations and forecast say that we will be able to make it to net zero by 2050. This would be mostly through a combination of changes of practices in the way that we fly, but mostly through the arrival of new technology and more fuel-efficient engines and aircraft that will allow us to fly significantly longer distances or with more people using significantly less fuel overall, together with fewer emissions.

If you intertwine with that all the different other activities that we have committed to, like alternative fuels, yes, we do absolutely believe that we will be able to get to net zero by 2050. It is our commitment. We believe we can meet it.

Q684 Lilian Greenwood: Many people will be sceptical about whether the technology is there or whether there is sufficient investment in the technology to get to that position. As I said, the Assembly members, in



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addition to their suggestion of a frequent flyer tax, supported the polluter pays principle, which is well understood and accepted. They would like to see the airline industry invest in greenhouse gas removal technologies.

Do you agree that the aviation sector should bear the cost? What investment is British Airways making in developing those technologies, not around decarbonisation of aviation but in greenhouse gas removal technologies in order to reach net zero, recognising that it is not going to be possible to decarbonise aviation by 2050?

Alex Cruz: Without doubt, the airlines and the aviation industry must absolutely be part of the set of stakeholders that invest in technologies that will remove carbon from the environment. We are putting our money where our mouth is. We have again committed \$400 million over the next 20 years. British Airways has specifically been investing in a plant just south of Leeds, which will be the first in the UK that will process household refuse and produce sustainable fuels. We are definitely committed to continue investing in new technologies that will make aviation growth sustainable.

I do not believe that it makes sense for aviation in the future, hopefully post pandemic a number of years from now, to grow again unless it has an extremely solid, well-proven and targeted plan for sustainability behind it. We all agree with that, and that is why we have subscribed to being net zero by 2050.

Q685 **Ruth Cadbury:** Thank you for those answers, Mr Cruz. What alternative policies do you think the Government should be considering to help the aviation industry achieve net zero for the UK?

Alex Cruz: We believe the initiatives that have already been created are excellent platforms for us to develop leadership across the world on this particular topic. What we need now is money. We need to be able to invest in some of these technologies. We need to move quickly. We should be better prepared as we recover from this pandemic to be in better shape overall to deal with ways to mitigate the impact of fuels produced by aeroplanes around the world.

Again, I think the platforms that have been created are credible, serious and committed. You will find us being part of and, in some cases, leading some of those platforms. We now need the funds from the Government and the commitment from the Government to develop some of those new technologies across the whole of the UK and provide leadership around the world. I do believe that there is a business opportunity for the UK to export some of these technologies, which will be created in the UK, to other nations around the world.

It is a wonderful opportunity, but there is a lot of hard work ahead of us. I do believe the single largest hurdle that we have is the commitment to funds that will make some of those technologies that are in the early stages of development become real so that we can mitigate the impact and work towards that net zero objective.



Q686 **Ruth Cadbury:** Sticking on money and fuel, but going off on a slightly different tangent, in quarter one IAG posted a loss of €1.6 billion and attributed those losses to the coronavirus crisis. But actually some €1.3 billion of that loss was due to the loss on fuel hedging—effectively, a gamble.

Is it not somewhat ironic that British Airways staff in the UK are having to pay the cost of that fuel hedging gamble?

Alex Cruz: I do not believe it is a gamble at all. It was part of a policy that has been made public multiple times a year by IAG. That has not varied very much over a long period of time. It has delivered significant stability for us as the price of fuel went up on some occasions. Please note that in the whole of the industry the majority of the players had very similar hedging techniques. There were no gambles. It was straightforward, very public and very easy-to-understand hedging techniques that were completely disrupted by one single event, which we must note—the collapse of oil prices.

When there is a major single event like that in such a short period, you would expect many of these mechanisms to be impacted. In this case it is absolutely terrible, I agree, that the impact was negative, but please note that fuel hedges, as recorded openly and transparently through our reports multiple times every year, have actually helped British Airways over the years to make sure it had a stable operation and was safeguarded from some of the spikes in fuel prices. No, it was not a gamble. It was part of the policy that has been very well articulated and, by the way, has been shared by many airlines around the world.

Chair: Thank you, Ruth. I am conscious we are over time, Mr Cruz, but please indulge us. Thank you for giving us so much evidence over two hours. I will come to Greg Smith and finally it will be Chris Loder. Then we will be done.

Q687 **Greg Smith:** Mr Cruz, clearly members of this Committee have been privileged in the ability to question Willie Walsh before the summer, and you today. I know that other Members of Parliament have been seeking to have meetings with you. My office mate Ben Spencer represents the Runnymede and Weybridge constituency, which is very close to Heathrow. He has been trying to get a meeting with you for some time. He has been continually told that you will not meet him and that he can talk only to someone from your PR team.

Following today's meeting, will you commit to meeting individual Members of Parliament, particularly those who have a lot of BA staff in their constituencies and are close to airports, to ensure that they can also make the case for their constituents directly to you?

Alex Cruz: First, just to make sure that each and every one of those requests has been answered, no, it was not my PR staff; it was my government affairs staff who individually know many of the MPs and MP communities. I have tried to make sure that we provided a proper answer.



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I apologise for not having been able to come and meet you individually. It has been really difficult. I have been very focused on this incredible task at hand. Yes, it will be my pleasure to meet you, particularly as we begin to have more clarity in how we deal with some aspects of this pandemic. I am sorry I have not been able to meet all of you. We have responded to all of you, and I do look forward to meeting as many of you as possible so that we can talk about this common challenge that we all have.

Chair: We will cover passenger refunds, which is our final section.

Q688 **Chris Loder:** Mr Cruz, when do you publish your flights for booking? How many days or weeks in advance of a flight date do you publish it online for booking?

Alex Cruz: The industry standard is typically 365 days. That is how airlines typically operate.

Q689 **Chris Loder:** And currently, within the coronavirus period?

Alex Cruz: Coronavirus started earlier in the year when there was a process in place and uncertainty about how long coronavirus was going to last. It would be fair to say that that process that continues to publish flight schedules has continued during this period.

Q690 **Chris Loder:** Once published, do you have a further commercial decision point on whether specific flights operate?

Alex Cruz: Yes; decision points are taking place almost daily. I regret to say that. When we are sitting in the office, I know that the network team will be sitting in the office awaiting the latest communication from the Government with regard to which countries are actually going to go into quarantine. We now have it down to a very good process. We are able to react within minutes and make adjustments upwards and downwards to very small patterns of demand that become familiar. Yes, it is fair to say that today we find ourselves in a situation in which we are having to make hundreds of adjustments every single month as a consequence of all these country closures and our own very long quarantine list.

Q691 **Chris Loder:** And for domestic flights?

Alex Cruz: It would apply similarly for domestic flights because, remember, the demand is not just of a domestic nature. We still have some connecting traffic coming via Heathrow. Whenever there is a country closure in the world, we do not just look at the point-to-point connectivity. We look at the impact throughout the whole network. We are not a simple point-to-point airline, I am afraid. We are an airline that has many spokes in its network. Every time there is a country closure, a restriction or a list added to quarantine, we have to go through a fairly complex analysis to understand which of our own individual flights has been affected.

Q692 **Chris Loder:** For example, you might need to cancel a flight as it is not viable because there are not enough passengers on board maybe a week or slightly less than that in advance.



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Alex Cruz: No. We will never do that for those reasons. We do that once we get an official communication from a Government or our own Government saying that we cannot fly there. Typically, we will never cancel flights in the last 14 days.

Q693 **Chris Loder:** Are you saying that you will not cancel flights based on commercial reasons in advance of the flight date if you have advertised it?

Alex Cruz: Yes, but not in a short period of time. The uncertainty that the pandemic has brought to us forces us to understand how many passengers are going to be on the third flight to New York on the second Tuesday in February. I have a commitment to meet. I have some flights for sale and I must have an idea of how many of those passengers are going to be able to fly.

As the time gets closer to that, if it turns out that there are only two or three passengers on that flight and I am three months out, I may actually go and contact those passengers and say, "There is an option an hour earlier or an hour later. Will you consider that option?" We have actively been doing that throughout. Of course, that is not a single flight. It is down to thousands of flights.

Q694 **Chris Loder:** Specifically, I have had correspondence on domestic routes between the south of England or London and Scotland, and I have experienced your looking to cancel certain flights and recommended flights that may be three or four days before or after. That is a regular occurrence, is it?

Alex Cruz: I would find it an exception really because we do have quite a lot of frequency to domestic destinations. In fact, we have been trying to keep the domestic traffic flying more as a proportion than the rest of the other regions. I would find it difficult to say that the next option available would be three days from now, as we are operating multiple flights every single day.

Q695 **Chris Loder:** How many of your customers are awaiting a refund from you, and to how many have you offered vouchers for alternative travel?

Alex Cruz: As of last Friday the figures are as follows. We have processed 2.1 million refunds. We have processed 1.6 million vouchers. We believe we have in the queue around 35,000 refunds. We are trying to work as hard as we can to make sure that we fulfil those and refund the money.

Q696 **Chris Loder:** Could you explain why you do not offer direct refunds for your cancelled flights? By that specifically, I mean that your default offering is a voucher. That is the only thing that is available. If a customer of yours wishes to get a refund for a cancelled flight, they have to phone your customer helpline, which is invariably, from reports, 20 or 30 minutes on hold and then invariably there is no one to speak to at the end.

Why do you not offer that refund opportunity directly? It appears to me, and a good number of those who have been in touch, that what you are



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trying to do is prevent refunds from happening. You offer vouchers. There is a whole question about what happens to the air passenger duty as well. Could you just explain why you do not offer refunds when you, as the operator, cancel that flight?

Alex Cruz: We are offering refunds, and 2.1 million passengers—

Q697 **Chris Loder:** Just to be clear, I know you give an option if you ring up and wait 30 minutes to speak to somebody and talk to them for another 10 minutes, but why when you notify on your website that a plane is cancelled do you not offer a refund at that point?

Alex Cruz: There are two reasons for that. First, the percentage of bookings that we make through the web is significantly less than other airlines, where you are able to book single or return trips. We have a significant number of bookings that are made through third parties such as travel agencies, OTAs, et cetera. Those are transactions that need to be made through those travel agencies, which ultimately communicate with our systems. A number of those transactions have been made.

We have very complex itineraries. At times like these I would love to be able to be an airline that is able to offer a single web-based ticket to a destination with a single credit card transaction. We are not that. British Airways is a full-service airline where you are able to mix—

Q698 **Chris Loder:** I am sorry, but I do not think that is entirely correct. If you just want to purchase a flight on its own—I appreciate you offer package things and so on—from London to Rome or wherever you happen to be going, but that flight is cancelled, there is no third-party involvement whatsoever when it comes to packages.

My point is not about that. It is specifically about someone who pays £200 or £300 for a return flight, and you cancel the flight but they cannot get a refund. It almost appears as though you are forcing these 35,000 people who are waiting for a refund. It appears to me that that is the effect of your own actions.

Alex Cruz: Again, I reiterate that it is not correct that we are not offering a refund. That is not correct. We are offering a refund, and we are refunding thousands of people every single day. Just to make it clear, we will refund every single person who is entitled to a refund until the very end. This is a process that continues.

Again, I need to make it very clear that today it is 35,000. I am sure that number will go down by the end of this week, but if we have another spike of countries that are closed and then reopened, we will have a flurry of activity. There will be very complex itineraries that we will have to fulfil. The only way we can do that is face to face or voice to voice over the phone.

Let me make it clear that our intention is to fulfil each and every one of those refunds that people are entitled to.



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Q699 **Chris Loder:** Finally, because I am conscious of the time, has the Civil Aviation Authority taken any enforcement action in respect of the number of people waiting for refunds?

Alex Cruz: No, the CAA has not. The latest data that I have from the CAA says that the majority of British Airways refunds have been provided between seven and 14 days, and the rest within 30 days. According to a list I have seen, we compare quite favourably with other operators.

This is an incredibly difficult period of time. As you can imagine, the amount of resources that we can dedicate to making these transactions has been limited, but the commitment is there. We will provide a refund to absolutely every single person who is entitled to one. We have a queue and we will get through that queue. We hope that there will not be too many other spikes of additional cancellation activities.

Q700 **Chair:** That is reassuring to hear, Mr Cruz. We have been contacted by many who are still awaiting their refund and are concerned about the risk.

Mr Cruz, thank you ever so much. You have given two hours and twenty minutes of evidence to us, which given that there are quite a few of us and only one of you is a lot. We are very grateful indeed. It is very encouraging to hear that there may be a change of approach with the staff, many of whom have been in touch with us. These things are never everything that everyone wants, but one would hope that it is an improvement.

We also take on board your concerns that you have raised so articulately about the aviation industry. We are keen to support you on that front.

I ask you to pass on our best wishes as a Committee to your team and all your staff. Thank you again for giving such fulsome evidence.

Alex Cruz: Would you allow me to make a couple of final, short remarks?

Chair: Of course.

Alex Cruz: Thank you. I hope that through this evidence I have been able to provide additional deeper understanding of the deep crisis that British Airways is going through.

As chief executive of BA I cannot and will not give up. I will not ignore what this pandemic has done to our industry. I want to make sure that I continue working really hard, and I will give it my very best, to protect these 30,000 jobs.

I am very passionate about British Airways, as you can see. In a post-Brexit world British Airways is very much part of the solution. I look forward to working with all of you to make that happen. Thank you very much.

Chair: Thank you. That message has come across loud and clear from you. I am sure it will be well appreciated by all who are watching. Thank you again. We will continue to keep in touch with you.