



## Select Committee on Economic Affairs

### Corrected oral evidence: Employment and Covid-19

Tuesday 29 September 2020

4.25 pm

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Members present: Lord Forsyth of Drumlean (The Chair); Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Baroness Kingsmill; Lord Monks; Lord Skidelsky; Lord Stern of Brentford; Lord Tugendhat.

Evidence Session No. 9

Virtual Proceeding

Questions 65 - 72

### Witnesses

**I:** Andy Bagnall, Chief Strategy Officer at Rail Delivery Group; Graham Vidler, Chief Executive at Confederation of Passenger Transport; Rt Hon Norman Baker, Adviser to the CEO at Campaign for Better Transport; Robert Griggs, Policy and Public Affairs Director at Airlines UK.

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## Examination of witnesses

Andy Bagnall, Graham Vidler, Norman Baker and Robert Griggs.

Q65 **The Chair:** I welcome Robert Griggs, policy and public affairs director of Airlines UK; Andy Bagnall, chief strategy officer for the Rail Delivery Group; Graham Vidler, chief executive of the Confederation of Passenger Transport; and Norman Baker, adviser to the chief executive of the Campaign for Better Transport.

Perhaps I may begin by asking the first question, which is very much in the Committee's mind and I know is difficult to answer. Exactly how many jobs have been lost so far in your sectors, and how many jobs do you estimate will be lost in the months ahead?

**Robert Griggs:** I represent Airlines UK, which is the trade association for UK airlines. The number of jobs that we have at the moment that are being directly lost, or are subject to consultation among our members, is around 30,000. We have had 44,000 of our UK airline staff furloughed, which is a huge number. At the moment, it is difficult to say where that number might go over the next few months. A lot will depend on the nature of any kind of recovery; the winter period is always particularly challenging. At the moment, things seem to be deteriorating and our priority is to try to minimise any further job losses. About 30,000 have been announced, subject to consultation, as I said, and we are hoping that it does not go too much higher than that.

**Andy Bagnall:** In the context of what Rob has said, I feel very lucky, because very few jobs have been lost in the rail sector. I am sure the Committee is aware that very swift government action back in March through the emergency measures agreements—we saw at the beginning of last week that they had been updated to emergency recovery measures agreements—meant that the Government stood behind passengers and the industry financially. That has meant that the Department for Transport and train operating companies have been able to continue to provide the service and, as a result, protect employment during this period.

Some train operators—open-access operations such as Hull Trains and Grand Central—were not covered by those measures. That meant that those open-access operators were mothballed for a period, although we are seeing them beginning to recover, but fortunately we were able to take advantage of government schemes, furlough and so on, to prevent immediate job losses.

We have seen very small job losses around the edge in some proposed extensions to open-access operations that are now unlikely to go ahead, but in the context of a sector that employs, depending on how you count it, 110,000 directly and 240,000 in the widest interpretation, we are talking about tiny numbers. As a sector, we are very lucky in contrast to what Rob has just set out for the airline industry.

**Graham Vidler:** I am speaking on behalf of the bus and coach industries. I will try not to take twice as long as Andy and Rob, but I will need to answer most questions separately for the two industries.

Bus, rather like rail, has been very well protected by prompt and appropriate action by government in the form of coronavirus bus services support grants, which have met the difference between bus companies' operating costs—we are still running 100% of services—and their revenues, because only 60% of passengers have come back so far. That has protected the vast majority of the bus network and bus jobs so far, and will continue to do so as long as it is paid and as long as under the national bus strategy later this year we can manage a successful exit from it as the pandemic gradually eases and the current social-distancing measures and the like are relaxed.

The coach side is very different. So far, there have been only a small number of business failures, including high-profile ones such as Shearings, and a few hundred jobs have been lost. That is principally because the Government's furlough scheme has shielded the industry. At one point in the summer, over 75% of staff in the coach industry were on the furlough scheme.

As we move into the autumn, which, as for airlines, is traditionally the start of the quietest and least profitable time for the coach industry, the sector faces the double blow of the withdrawal of the furlough scheme and the end of many of the finance holidays that individual operators have managed to agree with their lenders. That is why our members tell us that some 27,000 jobs out of about 40,000 in the industry as a whole are at risk over the winter before we get to next summer when we might, hopefully, start to see an upturn in coach tourism again.

**Norman Baker:** Our role as Campaign for Better Transport is to support public transport in particular. Therefore, we were very pleased with the Government's action in March, tweaked very recently to support bus and rail. In particular, we have been disappointed that there has been less support for the coach industry.

However, we need to recognise a couple of things. First, what the Government has done is buy, with taxpayers' money, breathing space, so it is necessary to take further action; otherwise, at some point the Treasury will say that this is unsustainable. The Government has to use that breathing space constructively to make sure that bus and rail in particular are in a fit state to survive without this sort of subsidy at some point in the future, which is 18 months hence in respect of rail. We are not convinced that the Government has yet set out the means to achieve that.

Q66 **Lord Skidelsky:** I understand that under the job support scheme an employer has to pay out one-third of a normal wage to get as much as two-thirds of an employee's work, which sounds a good deal, as Karl Marx might have said, but is there enough demand in the economy to make that a sufficient incentive for employers to enter the scheme rather

than just make their workers redundant? It does depend on demand. The incentive is there, but if the demand is not there it will not work. This will vary in particular occupations, so perhaps all the panel could answer that question.

**The Chair:** Mr Griggs, you are probably the most exposed on this.

**Robert Griggs:** From our perspective, looking at the winter economy plan, the first thing to say is that some form of extension to furlough was a priority for airlines. It was probably the single most effective measure that enabled carriers to continue since Q1 of this year. Therefore, some form of replacement is essential, although I should say that in terms of airline cash burn there are high fixed costs within aviation. Staff are often less than half. Furlough has been important, but we are always keen to stress that, alone, it would never have been enough.

Looking at the winter economy plan, from our perspective carriers have already had to make quite painful adjustments based on where they believe demand will be next year. We are looking at 2023 or 2024 until we are back to 2019 levels. That is where we have seen a number of job loss announcements, and airlines are already considerably smaller than they were at the beginning of this year, but our hope is that 2021 will see a recovery. Ideally, if we have some form of vaccine, we could have a good summer, but whatever happens we are hoping that the situation will improve next year.

For us, the danger is that without further support we lose further jobs within the sector, which we will need next year and which are viable jobs, but simply because of the financials and the absolute lack of revenue that carriers are getting—we cannot stress enough that there has been an absolute collapse in revenue—we need that support to try to bridge until that point.

The winter economy plan will help. I should say that we are still looking at the details of it. Some conditionality is attached to eligibility for the scheme based on reductions in revenue, which I think we can clearly demonstrate, but there are other things. We qualify the support. We want to look at it, but it looks helpful. It is obviously not as generous as furlough in its scope, and on its own it is not enough. It is absolutely right to say that without revenues coming in it is very difficult to support any viable aviation business. Therefore, absolutely it is useful, but it needs to form part of a wider package.

**Graham Vidler:** I will answer in respect of the coach industry, where it is very much more relevant. It depends on the bit of the coach sector where businesses are operating. About 20% of the coach industry's income comes from home-to-school services. That market has come back and now hundreds of thousands of children are being taken to school by coach every day.

For operators active in that market the composition of the winter economic plan and job support package could be very helpful, because

typically they run on a model where they do a morning and afternoon school run and use school outings in between to fill in the driver's day. The school outings have gone away, so all that is left at the moment is the home-to-school travel at the beginning and end of the day. A top-up of part-time workers' wages may be very helpful in that bit of the industry.

Elsewhere in the coach sector, in the tourism market, which makes up about 80% of the industry's revenue, there has not been sufficient demand to make this a viable proposition. I give you the example of one of my members who operates in Buckinghamshire. She normally transports about 40,000 people over the summer. She carried fewer than 200 this summer.

As we go into the winter—a time when traditionally there would not be that much demand for leisure coach tourism anyway—there is unlikely to be sufficient demand in many businesses even to pay 55% of employees' wages for a third of their time, so there are hard times ahead for the coach tourism sector.

**Andy Bagnall:** I hope Lord Skidelsky will forgive me. I do not have a direct answer to his question because the winter economic plan and job support scheme do not directly impact on rail employment. The emergency measures agreements, now the emergency recovery measures agreements, are a sector-specific solution for rail.

That said, as an industry we broadly welcome the winter economic plan. Anything that provides support to the wider economy will have an indirect impact on rail, as rail's fortunes will to a large extent rise and fall with the economy more broadly. While it does not impact us generally, clearly measures that support the economy are of benefit to the wider transport sector and rail specifically.

**Norman Baker:** I would say simply that it is unsustainable in the medium or longer term to continue with the present restrictions on the number of people who can be on bus or rail. Economically, you cannot run vehicles that are less than half full, which is what operators are being required to do at the moment.

Part of what the Government has to do in the breathing space they have is to persuade people that travelling by public transport is safe, as I believe it is. The industry has done a fantastic job at keeping its vehicles clean and making sure that there are no risks from Covid on trains and buses, yet a message went out from the Government in March that public transport was almost uniquely unsafe, which is patently not true. It is very peculiar to have buses and trains subject to great restrictions when at the same time pubs and restaurants have large numbers of people without face masks milling around.

The Government now have a major task to persuade people that public transport is safe because, to come back to Lord Skidelsky's question

about jobs, jobs can be protected if we get people back on to bus and train. I believe we can do far more to do that now quite safely.

Q67 **Lord Monks:** I would like to check where you are at the moment with the government-backed loan schemes which the Chancellor announced six months ago. How are they working? Have they been useful in providing support before we get to the winter economic plan? We have heard about the support particularly for rail and bus, and I expect it is particularly relevant to airlines and coaches. Have these loans been useful?

**Robert Griggs:** The short answer is yes. Most, if not all, of our member airlines have taken advantage of those relevant to their size of business. The corporate financing facility has been used by a number of the large carriers, and that has been incredibly helpful. There is an awful lot of cash burn at the moment, which carriers have been doing absolutely everything they can to minimise. It is still there and will be there for as long as they exist, but without passengers to support it.

CBILS has been used particularly by our smaller carriers. One of their reflections was that before the winter economic plan the repayment terms were not short, but because the situation had not necessarily improved to the extent they were hoping in demand and revenue that was going to be potentially difficult in repayment. The Chancellor's announcement included an extension of the repayment terms to 10 years, I think.

Those elements have been helpful. Those loan facilities alongside furlough have been absolutely welcome and essential, frankly.

**Graham Vidler:** CBILS has been very helpful in the coach sector. There was a lot of reluctance at the start of the scheme to enter into it and operators seemed to be self-selecting themselves out of the process. I think that was because of concerns about how on earth they could build a business plan for future years in such uncertain times.

We have worked hard with our members. The Government have made progressive improvements in the scheme such that many of those concerns have been overcome, and over half of my membership now have applied for a loan under CBILS. They have had a pretty good success rate, so that is good news and is helpful.

A parallel challenge is that coaching is a very capital-intensive industry. Principally, it is about buying coaches, which cost about £350,000 a time. Operators that have invested heavily in coaches in recent years have done so almost always on the basis of finance agreements. They have been working hard with their lenders to secure finance holidays for the past six months.

We continue to ask government to enable us to convert some of those loans to the same terms as those seen in CBILS. Where there are existing loans rather than new ones, we have asked the Government to support us in underwriting a proportion of the loans and meeting the cost of

interest payments for the next 12 months until the industry is able to trade safely again.

There has been some help from the scheme so far, but more could be done if the principles of the scheme were applied to existing loans that are prevalent in the coach sector.

**Lord Stern of Brentford:** As loans get rolled forward or re-examined—much of it will be next year and some a bit earlier—there will be a triage of firms that clearly will not survive, those that are probably fine, and those somewhere in the middle where difficult judgments have to be made. Would you see some scope for those firms in the middle being helped if they move strongly to build bridges for the future—for example, towards cutting emissions—so they get stronger support and are more likely to survive if they are investing in the future? I realise that that plan will have to take place over years, but will you comment on it?

**Graham Vidler:** That is a very good suggestion and we would have a lot of time for it.

It is important to recognise that many of the operators that find themselves with the heaviest debt burdens are those that invested in the future already. In the coach sector, that might be through investing in coaches that are fully compliant with the PSVAR—the accessibility regulations—and, even more common than that, investing in Euro 6 standard engines, which are the cleanest diesel engines you can use these days.

We would like to look both at operators that would commit to investing in the future in the future and at those that have invested in the future in the past, if I may put it that way.

**Norman Baker:** Lord Stern's idea is exactly right. As a nation we have to give the public transport sector confidence going forward, and the Government are doing that by continuing their process of electrification of the railways, for example. They can do this by speeding up the replacement of diesel vehicles on road and rail by financial incentives to achieve that. I think Graham Vidler's answer is entirely correct on that.

We need to make sure that as part of the fallout from Covid we do not lose sight of the Government's policy beforehand, which we support, to decarbonise the transport sector and move towards net zero. Those clear objectives must not be lost as a consequence of Covid.

Q68 **Baroness Kingsmill:** At the moment, the Government's advice is that office workers should work from home where possible. How does that affect the sector in being able to maintain service standards? Obviously, it does not apply in the airline industry, because someone can hardly work from home and fly an aircraft, but there are a lot of office workers in the airline industry. It would be interesting to know how this advice impacts on businesses and interferes with the ability to maintain service levels.

**Andy Bagnall:** For rail, the shifting government advice on different restrictions will have an impact on demand. We saw at the beginning of the pandemic a pretty precipitous drop in demand for rail to about 5% of pre-Covid passenger levels as a result of the very stringent measures introduced in the initial lockdown. We have seen that gradually creep back up as various aspects of the lockdown have been eased for non-essential retail, advice to return to offices and so on. We were creeping up in percentage points to the high 30s or low 40s of pre-Covid passenger levels. That shift in advice and mood change over the past 10 days or so has had an impact. We have seen demand stabilise at around that level, and in some cases there are some signs that it might just be ticking down somewhat, and clearly that will have an impact on the sector.

On the number of services that we can provide, which I think was the thrust of the question, because of those emergency measures agreements—now emergency recovery measures agreements—the period they cover is between six to 12 months, depending on the specific area of operation, after which they would bridge into direct-award contracts and a new system; so the industry has what it needs in support at the moment from government to ensure that the railways can continue to run, even if we do see demand drop a little bit as a result of that shift back to working from home. Therefore, we should be able to maintain services through the coming period, whatever happens with the virus.

Individual train operating companies are monitoring it very closely and are working with local authorities to reflect any local restriction in their messaging; longer term we will need to think about how we rebuild passenger numbers and regrow demand for the industry. Clearly, the shift back to a tightening of restrictions defers that transition to a longer-term recovery approach, but in the short term the ERMA's give the certainty the industry needs to continue to deliver for passengers.

**Baroness Kingsmill:** But what about your own workers? Are they being required to work at home, or are they able to do so?

**Andy Bagnall:** Both in the first wave of the pandemic and now, where rail workers people can work from home they have been encouraged to do so. This was mentioned in the introduction to the question about airlines, but the same is true in rail. There is obviously a contingent of people who work from offices and are office-based and therefore can work from home. As the trade body, the Rail Delivery Group has been working from home throughout that period. We were just beginning to work out our socially distanced return to the offices, but clearly that shift in advice from government has changed that.

The majority of the rail industry is a front-line one. I should pay tribute to staff in the railway who really have worked incredibly hard to keep services running. The industry is sometimes impacted by people needing to shield or self-isolate through the tracing system, but by and large the industry is out there on the front line maintaining services.

With government support behind the industry financially—the impact on demand is muted—we anticipate continuing to run those services through the coming period.

**Norman Baker:** The answer given by my colleague Andy Bagnall to Baroness Kingsmill is correct. There is no immediate threat because of the support by government. The threat comes when the emergency measures are due to run out and if, by then, we have not constructed a way of rebuilding passenger numbers on rail or bus.

The Government has said that they are led by science. I am sure they are, but it is nevertheless unhelpful that the advice has changed between working from home, to coming to the office, and then working from home again.

It is also different in different parts of the UK. For example, the Welsh Government has said continually that people should work from home. Conflicting messages have been coming out, which has not been very helpful.

If we are not careful, we are in danger of having a car-based recovery, because vehicle numbers on the roads are now back to where they were in March, or higher, whereas public transport usage is below 50% in nearly all cases. That is clearly unhelpful if we are to try to continue the modal shift that the Government were bringing forward from private vehicles to public transport.

It seems to me that there is a need to consider what journeys are being made now and what journeys will be made in the future. Andy may want to comment on this, but it seems to me that leisure journeys by rail are coming back more quickly than commuting journeys. The growth in rail may well be leisure growth rather than commuter growth.

People are now getting much more used to working at home; employers seem to like it, and employees like it. This began when I was in the Department for Transport in 2012 at the time of the London Olympics. We got used to people working from home. Virus or no virus, I do not think it will go back to where it was before, because home working is now established and the growth will have to come from different areas.

**Graham Vidler:** To add a couple of points to those that Andy and Norman have already made very well, about 60% of bus passengers came back last week. That has since dipped very slightly to about 58% yesterday. There has been a little impact on our demand from that message but, in the grand scheme of things, not that much.

The broader risk, which Norman and Andy have alluded to, is that the very specific message about office workers working from home, where they can, is conflated with a broader message about avoiding public transport. We are very conscious that the Government have lapsed into that sort of messaging in the past. It is very damaging both to the confidence of people who are using public transport in the short term

and, as Norman has said a couple of times now, the longer-term self-sustainability of the whole public transport industry. That is the thing to watch out for from our point of view.

**Andy Bagnall:** I absolutely agree. Both Graham and Norman have both said this on the point about messaging. One thing we do need to convey is that where people are travelling if they cannot work from home—a range of activities outside work is still permissible within the current restrictions as the Government try to get right the balance between health outcomes and economic outcomes—it is helpful for us to be able to say that there is capacity, particularly at less busy times. That will be true for buses as well as trains.

We need the Government to get that messaging right or share the view that Norman and Graham have expressed. At the early phase of the lockdown, in trying to ensure that public transport was not overwhelmed by passenger demand, the Government may inadvertently have given the impression that somehow public transport was fundamentally unsafe rather than that capacity was limited. We do not think that is the case.

Certainly from the rail industry's perspective, we have gone the extra mile to try to reassure passengers who are still travelling that they can travel with confidence. We have introduced a safer travel pledge with extra cleaning and additional hygiene measures. We reduced services in the first instance in March but have steadily increased them. We are back at near pre-pandemic levels, and we allow social distancing.

The measures by the industry are in place to try to reassure people that they can travel safely when they need to do so. We need to get that balance right in government messaging, not saying that people should avoid public transport because it is somewhat unsafe, but rather that the available capacity should be used sensibly. From the public's point of view, that means wearing a face covering, which is obviously mandatory, observing social distancing where they can on the rail estate and, as I have mentioned, travelling at quieter times to try to spread demand across available capacity. That is quite an important counterpoint to the point about working from home.

**Baroness Kingsmill:** As a long-term non-exec of an airline, it seems to me that Zoom must be having a huge impact on the number of international air travellers.

**Robert Griggs:** Indeed. In terms of working from home and the fact that indirectly it sends a message that you may not wish to travel, there is that element.

A contingent of office staff work for carriers, and early on in partic there was a significant increase in the number of inquiries to airlines about all sorts of things because of the fast-changing nature of travel bans and changes. That was often being dealt with by a reduced number of staff, many on furlough and some working from home, so it was a further pressure on carriers among many, but it is not a top-tier issue in terms of

ultimate carrier liability, and that speaks to the broader problems that the sector is facing.

On the point about Zoom, we know that, where there have been opportunities to travel and we have had travel corridors, people want to fly; there is the demand there. People still want to fly, but it is too early to say where the trends will go in business travel. It feels likely that there will be changes, but there will always be the need for face-to-face contact and that preference.

It is too early to say. Ultimately, airlines are hugely adaptable; they will adapt to the new normal as long as they are able to get through to that point. There will always be a demand. It may change. We have to wait and see.

**Q69 Viscount Chandos:** Following up on Mr Griggs's reluctance to peer too much into the future, I would like to ask the witnesses to polish their crystal balls and give a view on how much what has happened and other factors, such as climate change, will change business and leisure travel patterns in the medium and long term, and what that means for the sector in which they work and which they represent.

**Norman Baker:** As I mentioned a moment ago, I think there will be a move from commuting to leisure to some degree, because we now have home working established. I know businesses that have shut their offices and have no intention of reopening them because they manage to function quite well without them. They save overheads; it means that people do not have to spend two hours a day on the train; they save money on a season ticket. Those things are not going to change, and once that pattern has been established it is there.

The real challenge must be to try to ensure that the country responds to the new situation that we are in. The rail industry has been promoting for some time a change in the ticketing structure and arrangements. We need to move towards part-time season tickets so that people do not feel they are working on a 9-to-5, Monday-to-Friday basis; otherwise, they are paying too much for a single ticket. We need to have single-leg pricing and not have a cheap day return that is the same price as a single journey. Those sorts of changes can be made by government to try to reflect the nature of the changed society we are in.

We also have to make sure that the Government's intentions to decarbonise the country and reach net zero are not blown off course. That means more support for the bus industry in general. A bus can hold 75 people and 75 cars can be taken off the road. That is important. We need to make sure that there are more bus priority measures. I would like to see the Government doing more to encourage the workplace

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<sup>1</sup> On 5 October 2020, the witness clarified this sentence because he did not intend to say the cost of a parking space was £10. What he meant was that the charger kicks in if an organisation has 10 or more spaces. The cost to a qualifying business each year is £424.

charging scheme, for example, which Nottingham runs very successfully. When that came in, we were told that that charging about £10 for a parking space per employer, with the money going towards public transport, would be very damaging for the economy, but it has not been.<sup>1</sup> Nottingham has done very well out of it.

Recent evidence from the TUC has demonstrated that investment in active travel—cycling and walking—as well as bus and rail has much better payback in cost-benefit ratio terms than investment in road building.

It is possible for the Government to use this as an opportunity to go forward. The Government now control the railways in a way they have not done for a long time. Effectively, they control the bus network in a way by the subsidies they provide. They could use this opportunity to create a green recovery, but the danger is that if they do not do so we will have a car-based recovery, which will set us back in climate change terms.

**Q70 The Chair:** I cannot help but be a little mischievous by looking back at the debate on HS2 and asking: if you are right about this change, is it sensible to go ahead with a project like that?

**Norman Baker:** HS2 will stand or fall on its own merits, but there is an ideal scenario that we would like to see, if it were possible to achieve it. We are not against home working, because that has minimal carbon emissions. We are not against active travel. Indeed, during lockdown we saw more than a doubling of cycling. That has now fallen back, presumably because cyclists do not feel safe with all the cars around. We certainly want to see more people on buses and trains.

What we will have to see is fewer people in private cars and vans. If we do that, HS2 and all the other investments in rail which the Government are bringing forward—the rail reopening scheme has been identifying the redoubling of particular lines, changes to stations and so on—all make economic sense, but only if the Government are able to pursue the policy of securing modal shift. I agree that if the Government do not pursue that policy, a whole lot of projects will look rather stranded.

**The Chair:** You have lost none of your skills.

**Viscount Chandos:** Will the other witnesses focus on what the net effect will be, in their view? Clearly, there can be a rebalancing between business and leisure, but is it realistic to think that, even with improvements in ticketing and so on which Norman Baker has described, leisure will take up the slack?

**Graham Vidler:** I will peer into my crystal ball and start with a hypothesis, which is that where the trends that we have seen in recent months build on pre-existing structural trends they will continue, so there will be lower levels of commuting, more flexible workplaces and less desire to travel to high streets for shopping. Those things have been exacerbated by the pandemic and we can expect them to continue.

On the leisure side, the effects, while they are very strong at the moment, will be temporary. At some point in the not too distant future, people will want to go back to doing all the things they use leisure travel for, whether it is going to festivals or stately homes, visiting friends or going to the theatre. That demand will come back. I do not know, but I doubt that it will be sufficient to offset the decline in commuting travel, which I expect to see.

The big question, to which Norman alluded so well, is what government has to do to shape the modal choices of people who are travelling in future. Given the Government's commitment to decarbonising transport over the next couple of decades, it is absolutely vital that they take action now to start to shape those choices.

Thinking about bus in isolation for a moment, the national bus strategy that is coming later this year is a really good opportunity to do that. That should deliver a very strong pro-bus message as part of a broader pro-public transport message.

As Norman says, it also ought to provide a step change in the amount the nation invests in bus priority measures. We believe there is a case for spending over £1 billion on bus priority measures over the lifetime of this Parliament, because each pound invested in bus priority yields as much as £5 in benefits to the people who directly use those buses, employers who rely on buses to get commuters to work, the high streets that depend to a large extent on bus passengers, and all of us in the air quality and environmental benefits which bus priority can bring.

That resetting of the priority with regard to how we use our roads in towns and cities in particular is absolutely fundamental to decarbonising transport and has to be at the heart of the Government's national bus strategy later this year.

**Andy Bagnall:** By the sound of it, Norman, Graham, I and possibly Rob are all looking into the same crystal ball, so I will try to avoid being repetitive.

The simple answer to Viscount Chandos's question is that nobody knows for sure, but our best modelling estimates certainly suggest that the pandemic will have a significant impact in the short term. It is clear that demand will be lower than it was at pre-pandemic level for a while, but it is worth remembering that for the rail sector and most large infrastructure sectors their thinking and planning is done in decades rather than years. I do not see anything that suggests that in the long term there will not be a continuation of the upward trend in passenger numbers that we have seen over the past two-and-a-half decades.

That said, I do think there will be adjustments in demand, as Norman and Graham have said. It is clear that the pandemic has accelerated pre-existing trends towards working from home and so on. Our modelling suggests that the commuter market might recover more slowly than the leisure market, but we have seen quite a strong rebound in passenger

growth in the leisure market, perhaps driven by more people staycationing and travelling for weekends away domestically when previously perhaps they might have gone abroad. We certainly see a faster leisure recovery than commuter recovery.

All this points to something that I think Norman touched on earlier. The rail industry has been calling for some time for fundamental fares reform and a complete rewiring of the ticket and settlement agreement and the regulations which the Government set that underpin the way in which we market the product. We published proposals just over a year ago. Our view is that the pandemic has accelerated the need for those reforms by accelerating some of the pre-existing trends that are changing the way people choose to travel. We think that rewiring the system, which will allow the rail industry to market products in a way that attracts people back on to the railway, is absolutely critical to regrowing passenger numbers.

We have advocated flexible season tickets, which were touched on earlier, and a much more fundamental rethink, with single-leg pricing, which you could rebuild to allow pay-as-you-go with price caps in most urban centres, as a much better way of reflecting the way people are likely to commute. That is much more likely to drive people back on to rail rather than getting stuck in a scenario of permanent working from home.

Generally, we would now like to see government setting out as quickly as possible its long-term vision for the railways. The announcement last week fired the starting gun and reconfirmed the commitment to a White Paper. Making sure that we get the right balance in a renewed public-private partnership that can unlock some of those train operating companies' entrepreneurial energies to regrow demand will be absolutely essential.

We strongly support HS2. It will not surprise you to hear a railway advocacy body call for more railways, but it is not just important in itself.

**The Chair:** It was simply a point I wanted to put to Norman Baker.

**Andy Bagnall:** I could not resist coming back to that. Genuinely, we think that is the right long-term investment in the post-pandemic scenario, because it does not just unlock capacity on the high-speed routes; it unlocks so much more on regional and freight paths. As other colleagues have said, if we want a low-carbon recovery and to build back greener, HS2 will be a critical component.

**The Chair:** We spent months hearing evidence on this. We are quite familiar with the arguments.

**Robert Griggs:** In the short term, it is fair to say that there is huge disruption and uncertainty and we are in an emergency. We cannot stress that enough.

What we have seen anecdotally in leisure is that when people have had the opportunity to travel they have taken it, and we have seen strong demand where people have had that opportunity. It is very difficult to say where business travel will go, but we think the demand will continue to be there. Essentially, we have not been able to fly to the US at all; we still cannot. It is essentially a closed market. It is our most important economic partner as a country, if you exclude the EU as a bloc, and it accounts for the biggest single amount of our foreign direct investment. Not all of that happens because of the air connectivity, but it is a big factor. It is very difficult to say, but we are confident that people will continue to want to fly.

In February this year, the aviation sector in the UK—it is not just airlines but airports and aerospace—committed to net zero 2050. We know that the biggest challenge facing the sector in the long term is ensuring that we can grow sustainably. That was based on assumptions that by 2050 the number of passengers from the UK would be about 70% higher than it is now. That was based on continuous growth trends. There has been strong growth in aviation consistently. In the long term, we would expect and hope that to happen. Globally, that is definitely happening, particularly in the developing market.

Optimistically, we now have an opportunity, because we know that with CSR and sustainability there are some positive developments such as sustainable fuels, hydrogen-powered aircraft and so on. We could recover as a sector while setting in train now the technologies that meet the longer-term challenges to aviation growth.

We have the ability to meet them, so optimistically, looking forward to 2035, I see people travelling in short-haul hydrogen-powered aircraft and people crossing the Atlantic in aircraft using 100% renewal SAF. That is the vision for aviation that is growing in a sustainable way, but those decisions need to be made today at the same time as we recover.

**Q71 Baroness Bowles of Berkhamsted:** I think that to some extent we have strayed into part of what I wanted to ask about.

What are the main transport and infrastructure projects that you would prioritise for a transport-led recovery, and how quickly can these projects be started?

Will you say something about what support would need to be put in place to enable local authorities to reshape their transport networks in accordance with what you are suggesting? I think we have done the environmental side already, so we can take that as read.

**Norman Baker:** First, small interventions are often extremely good value for money and pay back very quickly. The installation of a bus lane or sorting out a congested junction, for example, can make a huge difference to the free flow of traffic. It can also make a huge difference to the local economy, not least for buses by enabling predictability to improve. There is nothing worse than buses being late, and generally they are late not because the drivers are sitting round doing nothing but

because they are caught in traffic, so I would definitely recommend small interventions.

I would refer you to the local sustainable transport fund that used to operate and that was hugely successful in generating great improvements across the country for very little money when it came down to it.

Secondly, local authorities are very stretched for cash and have lost a lot of staff. Therefore, there is an issue with whether some of them have the capacity to go forward on the basis of a gear change. Some of the bigger ones will do but some of the smaller ones will not, so there is a need for some handholding by central government if they are to use local authorities constructively.

Lastly, local authorities need to work more closely with bus companies to try to plan routes and schedules in their local areas and to maximise the return on bus passengers while minimising the cost to the companies themselves and to local councils.

**Graham Vidler:** As part of the national bus strategy that I mentioned, we are asking the Government to set up recovery partnerships between the local transport authorities and bus operators that will be charged with delivering the new network passengers need in the future.

Part of that can be relatively simple and straightforward bus priority measures with some capacity building in local authorities, as Norman said, and direction from the centre about urgency, as we have seen in recent months with some of the cycling and walking schemes that have popped up really quickly. We can do something similar in bus priority. A lot can be achieved through fairly simple measures, such as changing the sequencing of traffic lights without huge road interventions.

**Baroness Bowles of Berkhamsted:** Is there anything on rail?

**Andy Bagnall:** For us, the priority would be the big-ticket infrastructure projects such as HS2 and making sure that we get the local connectivity so that as many places as possible can take advantage of the additional capacity that gives to the network as a whole.

**Robert Griggs:** On infrastructure, separately from the wider support package for the sector, which we may come on to, there is a specific infrastructure ask to which I alluded earlier. We have put in an ask to the Government for loan guarantees for first-of-a-kind sustainable fuel plants for the UK, because we cannot stress enough that that has to be a key part of our ability to decarbonise, and it could have a huge levelling-up effect for the UK with lots of economic benefits as a domestic SAF green industry. That is what we are pushing quite hard at the moment.

**Baroness Bowles of Berkhamsted:** If I am to keep up with the Chair, I suppose I ought to ask about new runways at Heathrow.

**Robert Griggs:** We shall see. We have been supportive of a third runway at Heathrow. It is important that the UK has hub status. Our carriers have always been clear that that has to be done at the right price, and that relationship has to be managed well. We shall see, ultimately. At the moment, we are in survival mode. If we can have debates about the need for a third runway because we are growing again and in a better position, that will be great, but we are not quite there at the moment.

Q72 **Lord Tugendhat:** I have been very struck by the tone of this meeting. I had expected a much gloomier tone, and it is encouraging to find a group of witnesses who are so relatively upbeat.

Against that background, is there a danger that the UK could lose its competitive world market position in aviation? I refer to both airlines and the hub position of Heathrow, for instance. Is there a danger that we could lose that without further support? If you believe the answer to that is yes, what nature of support do you think is needed?

**Robert Griggs:** I am almost ashamed to have been too upbeat, if I have been. I probably will not be now.

There is a real danger. We have the third largest aviation network in the world behind the US and China. We as a country are disproportionately dependent on air connectivity for our trade. Some 40% of our trade by value is flown, the majority of that transported in the bellyholds of passenger aircraft. Therefore, if you do not have passenger connectivity, you are losing trade opportunities. We have seen how, when you have direct connectivity from places such as Manchester to China, it has direct economic benefits for local businesses and export industries.

At the moment, we are in an unprecedentedly difficult situation. Passenger numbers this year are expected to be around what they were in 1990 at the time of the first Gulf War—some 65% lower. That may now be optimistic, because the situation has deteriorated since then.

The danger will arise over the next few months unless there is further support for the sector. By that, we mean ways to enable carriers to bridge the gap where demand and revenues will remain very low to a point where, hopefully, demand will start to pick up again early next year.

There are principally two ways in which we are looking for support to get the sector going again. The first is ultimately to allow airlines to fly. That is the best way. We have been calling for a testing regime in the UK. We do not have testing yet as part of our ability to open up markets. Most of Europe does; it has testing in some way. It is not a panacea, but it is a hugely important element, so we are looking for an ability to reduce quarantine, which is the real killer of demand in our sector, through testing.

The other is travel corridors. When they were introduced in July, that was really positive. We are looking for travel corridors to move to a regional basis, instead of having a restriction that applies to the whole country. In

the US, that could be a state basis. You could have a trial between the UK and New York. New York is in a better situation than most of the rest of the US.

Of course, if we are in a second wave, the ability to open up markets will probably be more restricted, which is why we look to economic measures. We are looking for a 12-month waiver on the air passenger duty. There are a number of costs and charges which airlines pay. Temporary support on those would help.

The Government made clear early on that, if all else fails, their door should be open to talk to carriers that have a strategic role in our economy and to keep them going where they are viable and have a future. Altogether, the Government have said that there will be a recovery plan for aviation at some point in the autumn. We are looking to see that as soon as we can. We really need to step up to the plate because it is a hugely difficult situation, but there is a future for aviation and the UK can continue to succeed. If we do not step up, there are lots of European hubs that would quite happily take our place.

**The Chair:** Thank you for that answer. Time has run out for us, because some people have to leave. This has been a very useful session, and I thank all our witnesses for their very helpful answers. We will endeavour to produce our report in the hope of influencing the Chancellor and the rest of the Government on what are very serious problems and great opportunities.