

Huw Merriman MP
Chair of the Transport Committee
House of Commons
London
SW1A 0AA
United Kingdom

20 May 2020

Dear Huw,

Thank you for your letter.

I am happy to formally respond to the two outstanding requests for information.

The answer I gave to Q145 was correct. For the benefit of the Committee I have attached a copy of the agreement between British Airways, Unite the Union and the GMB (attachment A).

Regarding Q152, I can confirm that where British Airways has written to employees, the same letter (or email) has been sent to all the employees in the same category. Chris Loder stated that “.. *it appears that the workforce has been segmented and that you have a targeted approach as to who or who may not be subject to redundancy.*” He indicated that he would be happy to provide me with specific letters to support his statement. I would appreciate if those letters could be made available to me.

Additional information

1. I attach a copy of the British Airways annual report and accounts for 2019 (attachment B) so that the Committee members can assess the information for themselves. However, allow me to point out a few relevant items. The figure of £1.9 billion that you quote was the pre-exceptional operating profit. There was an exceptional charge of £583 million relating to the APS litigation settlement past service cost. Therefore, the operating profit was £1.338 billion.

I would like to highlight the following from the cash flow statements on page 30. British Airways paid £754 million to the defined benefit pension schemes, £52 million in restructuring payments, £1.571 billion purchasing new aircraft and equipment and paid £585 million in dividends.

In addition, BA paid £195 million in cash tax, £206 million in social security costs and £783 million in APD, a total of £1.184 billion to the Treasury.

Registered Office

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The cash, cash equivalents and other interest bearing deposits at 31 December was £2.588 billion. This supports the answer I gave to Gavin Newlands (Q122 & 123). The aggregate cash held by IAG at 31 December was €6.683 billion of which £2.588 billion (€3.055 billion) was held by BA. In other words, the cash held by BA represented 45.7% of the cash held by the Group.

2. As of 14 May, British Airways had received £34,765,040.75 under the CJRS. While we very much appreciate and value the support provided by the Chancellor and applaud his actions, that figure is less than 2 days of cash for BA, at the current rate of cash burn.
3. British Airways CityFlyer will consult on any changes to operations with the elected representatives of the employees.
4. No, I was advised by email at 12.03 on Tuesday 12 May. Issues relating to British Airways CityFlyer will be subject to consultation between the management and the elected representatives of the employees.
5. British Airways will consult with the elected representatives of the cabin crew.
6. Please see the attached letter to Mr Howard Beckett, Assistant General Secretary of Unite the Union (attachment C).
7. As stated in my evidence to the Committee, we will avail of all facilities, provided they make sense to the business. If there are new conditions attached to the CJRS that would restrict our ability to restructure our business, then we would need to evaluate the impact of those conditions before deciding to avail of the scheme, in the future.

Finally, I would like to respond to the comments made by the Trades Unions at today's hearing. I reject any suggestion that we are exaggerating the problem. The most recent forecast from IATA, which was referred to by Mr Brian Strutton, was issued a couple of days after my evidence to the Committee. It fully supports the answer I gave to Greg Smith (Q119). IATA forecasts that "international air travel may not recover 2019 levels until 2023-24 (see attachment D, slide 9). International travel represents 98.2% of British Airways' capacity.

Your sincerely,

Willie Walsh
Chief Executive Officer

CONFIDENTIAL - WITHOUT PREJUDICE

British Airways

COVID-19 Virus

Redundancy Mitigation Programme

MoU

Scope

This redundancy mitigation programme ("**Programme**") covers all employees in areas which are collectively bargained for by GMB and Unite the Union (Unite) across BA.

The entire Programme is contingent on the UK Government agreeing to fund the employment costs to the published thresholds under the **Job Retention Scheme (the "JRS")**, and BA being satisfied that this Programme does not impede its ability to implement further proactive measures to secure its business and protect the long-term security of its employees. To provide reassurance, all other local agreements, arrangements, contractual terms and payments are unaltered by the measures specified within this Programme, save for the arrangements for remuneration during the Furlough Period and as otherwise set out below. Should demand and capacity decrease over this period both sides will revisit this Programme with a view to agreeing the terms of an extension.

The following measures will continue until 30 June 2020 (the "**Furlough Period**"). Should demand and capacity increase over this time and employees are needed in any area to support the increased operation, this arrangement may be curtailed for those who are required by BA to return or continue to work, on an individual or group basis. Any staff called back to continue or resume work, will return to full pay for the duration of the period they are required to work, during the Furlough Period.

Once BA place an employee on furlough, they will remain on furlough for the Furlough Period unless notified otherwise. BA can furlough employees more than once, and one period can follow straight after an existing furlough period, whilst this Programme is in place.

This Programme does not apply in respect of the arrangements agreed between BA and/or BA subsidiaries in relation to employees in the MG Grade to whom unpaid leave

and unpaid work arrangements are applied outside of any furlough arrangement.

Furlough Measures

Selected employees will be placed into furlough from time to time and as operationally required and covered under the JRS for the Furlough Period. BA will notify GMB and Unite of any groups of affected employees when they are placed into furlough.

Furloughed employees will only receive 80% of Basic Pay and 80% of Variable Allowances (*) during the Furlough Period.

Variable Allowances will be based on an average per workgroup taken from the previous 12 months and will include Elapsed Hourly Rate, Contractual Flying Pay ("CFP") and Shift Pay only and subject to HMRC accepting these as allowances that are recoverable in full under the JRS.

All earnings would remain subject to income tax, NI and other deductions.

For the purposes of this Programme, BA has agreed to pay 80% of Basic Pay and 80% Variable Allowances subject to the terms set out above. This is not a concession that they are payable in the event of a furlough, lay off or stand down in any other circumstances, and BA reserves its position as regards any extension of this Programme or any future circumstances.

The payments of salary to be made under the JRS are subject to the rules of the Scheme and to the Government agreeing to fund the employment costs to the published thresholds.

Stand-down/Unpaid Leave:

All employees that BA wish to furlough will move into the JRS for the Furlough Period.

All employees who have already been allocated Short-Term Voluntary Unpaid Leave (STVUL) or who have been stood down from normal duties in March, April and May 2020 will be furloughed under the JRS during the Furlough Period, where appropriate.

Further details

The payments of salary to be made under the JRS are subject to JRS rules and guidance and to the Government agreeing to fund the employment costs to the published thresholds.

The Government are yet to confirm recall provisions for employees who are furloughed. There will be a need for a recall provision. The recall provision will vary by department

and will be between 3 – 10 days.

For the avoidance of doubt, the above measures are wholly designed to mitigate as many redundancies as possible during the Furlough Period.

Pension

During April, May and June 2020, BAPP pension contributions will continue to be calculated using normal contractual basic pensionable salary.

During April, May and June death in service benefit will continue to be calculated using normal contractual basic pensionable pay.

During April, May and June and subject to any pension rules and regulations, an option will exist for employee's normal pension contributions to temporarily stop and for BA's employer contribution to be redirected into pay. For clarity, if an individual chooses to stop their individual contributions BA's employer contributions (minus employer NICs) will also be redirected into pay in April, May and June.

Statutory Maternity Pay

For those currently in receipt of SMP, higher rate SMP will not be affected by the deductions from basic pay during April, May and June 2020.

Company Sick Pay (CSP)

CSP will be reduced in line with the deductions from basic pay in April, May and June.

Contractual Leave Accrual

The normal calculation for the accrual and current arrangements of contractual leave will remain unchanged by this Programme. BA reserves the right to allocate annual leave to be taken over this period, in order to ensure employees take their statutory entitlement in the holiday year. If Annual leave is allocated during the duration of this Programme, any days allocated will be paid at the applicable full pay rate, including agreed holiday pay.

Other groups

All Parties agree that should terms ("Terms") be agreed at any point between the date of this Agreement and the end of the Furlough Period, that relate to any group of employees ("Groups") within BA and/or BA subsidiaries who are covered by existing Trade Union recognition agreements and those Terms are more advantageous than those contained within this Agreement, they shall be applied with immediate effect, to those covered

within the scope of this Agreement.

Such Terms are limited to the application of furlough pay under JRS (and the application of the JRS cap of £2500) and the percentage of pay contributed by BA as agreed with such relevant Group, either prior or subsequent to the date of this Agreement.

In addition, should BA and/or BA subsidiaries allow such Groups who are subject to existing pay reduction arrangements prior to the introduction of the JRS, to now become furloughed and thereby eligible for any element of furlough pay recovered from the Government and payable to those employees in that Group (in addition to or as a supplement over and above the % contribution already agreed with BA in terms of a reduction in salary), then employees within the scope of this Agreement shall benefit by way of the same calculation of pay (both furlough and % of pay which is agreed to continue to be paid by BA, under any such arrangement) and this will become the revised formula for the calculation of such pay, as covered by this Agreement and up to the maximum of their normal pay.

Redundancy Consultation

BA will write to GMB and Unite the Union confirming that the collective redundancy consultation which commenced on 17 March 2020 will be paused. If BA subsequently decides to restart any future redundancy consultation period, it will notify GMB and Unite the Union and there would be a minimum of 45 days from that notice before implementation of any redundancies (should they be necessary).

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For and on behalf of British Airways and BA subsidiaries

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For and on behalf of GMB

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For and on behalf of Unite the Union

28 April 2020