



House of Commons  
Transport Committee

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# The impact of the coronavirus pandemic on the aviation sector

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**Second Report of Session 2019–21**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
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## Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its associated public bodies.

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## Summary

The global coronavirus pandemic in 2020 has reached, to some degree, into all areas of the UK and world economy. Few industries, however, have been affected as significantly as aviation. Aviation was one of the first industries affected by the pandemic, as national governments closed international borders to prevent non-essential travel. In the UK, the Foreign and Commonwealth Office advised British nationals on 17 March 2020 against all non-essential global travel. Thousands of holidaymakers and business travellers had their pre-booked flights cancelled. Around the world thousands of planes were grounded and left idle on tarmac.

The drastic reduction in air travel—a 97% reduction in passenger flights compared to the previous year—has been devastating for the aviation industry, with estimates that the industry in the UK could lose over £20 billion in revenue in 2020. The sector is also of huge strategic and economic importance to the UK. Finding a proportionate way to steadily resume the number of flights while minimising the spread of coronavirus must be a priority for the UK Government.

We are concerned about the Government’s decision to introduce a blanket 14-day quarantine period for travellers to the UK from other countries. This will further damage both the recovery of the sector and the wider economy. We are not persuaded this is the right policy option at this time compared to the alternatives. We support a more targeted and nuanced border control policy that would allow people travelling from countries where the infection rate of Covid-19 is relatively low to enter the UK on a less restrictive basis. Should the conditions allow in late June, we strongly urge the Government to introduce a more flexible and risk-based approach to border control.

Many companies in the aviation sector have understandably accessed Government financial support during this difficult time. This support has primarily taken the form of generic schemes available to deal with the pandemic, rather than sector-specific support. Given the gravity of the crisis in the aviation sector, we recommend that the UK Government implements support measures aimed at the sector in order to stimulate demand and protect businesses. We recommend that the UK Government and the devolved administrations (where they have not already done so) introduce a 12-month business rates relief for airlines and airports and a six-month temporary suspension of Air Passenger Duty payments.

The loss of some jobs in the aviation sector may sadly be inevitable. But such fundamental decisions about people’s livelihoods should not be made prematurely and until there is clearer information about the industry’s recovery. We urge UK-based aviation employers not to proceed hastily with largescale redundancies or restructuring to terms and conditions of employees until the Job Retention Scheme ends in October 2020 and they have had the opportunity to consider the Government’s plans to help the sector restart and recover.

We examined in detail British Airways’ plans to consult on up to 12,000 redundancies and downgrade the terms and conditions of approximately 35,000 employees. Thousands of British Airways employees contacted us to raise their concerns about the potential impact of the changes. Our view is that the current consultation on staffing changes

is a calculated attempt to take advantage of the pandemic to cut jobs and weaken the terms and conditions of its remaining employees. The behaviour of British Airways and its parent company towards its employees is a national disgrace. It falls well below the standards we would expect from any employer, especially in light of the scale of taxpayer subsidy, at this time of national crisis.

Many airlines and travel operators have failed to refund customers for package holidays and flights in a timely manner, in accordance with their legal obligations. This is an understandable source of frustration for many customers who have found the process for obtaining monetary refunds unnecessarily difficult. People under stress because of the pandemic have faced additional stress because of companies who have not refunded their money properly and promptly. We recommend that before the Government brings forward its planned Airline Insolvency Bill, it consults on whether protections should be introduced for airline passengers in the event of pandemic or other extraordinary circumstances.

The Department has set up an Aviation Restart, Recovery, and Engagement Unit and the Minister for Aviation told us she is devising a strategy to help the sector recover. While these moves are necessary and welcome, we are concerned at the lack of detail and pace of action given the precarious situation facing many airlines and the wider implications for the economy. We believe and expected that the Government's strategy for the recovery of the aviation sector should be more developed given we are already some four months into the crisis.

We recommend that the Department for Transport, working with other Government departments, the devolved administrations and those within the industry, publishes a strategy for the restart and recovery of the aviation sector as soon as possible. This strategy must include details as to how the Department will rapidly restore passenger air travel and in particular set out plans to:

- minimise job losses in the sector while protecting pay, employee rights and health and safety standards;
- ensure passenger confidence with an internationally agreed standard of passenger health protection;
- minimise disruption and complexity for passengers;
- work on an international basis to re-examine the airport slot allocation process to ensure it encourages competition and connectivity;
- assess the economic impact of reduced passenger services on the transport of air freight and examine the viability of alternatives, such as increasing the number of dedicated freight planes;
- protect regional connectivity within the UK and international strategic trade links; and
- ensure the industry delivers its environmental obligations.

# 1. Introduction

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1. The global coronavirus pandemic in 2020 has reached, to some degree, into all areas of the UK and world economy. Few industries, however, have been affected as significantly as aviation. Commercial air travel was initially a key factor behind the rapid global spread of Covid-19 in the first months of 2020, as infected passengers carried the disease thousands of miles across international borders, while the scientific understanding of the disease was still developing.

2. As the virus spread and the seriousness of its implications became better understood, national governments took extreme and unprecedented measures to contain it. Aviation was naturally one of the first industries to be significantly affected, as national governments closed international borders to prevent non-essential travel. Thousands of holidaymakers and business travellers had their pre-booked flights cancelled. Around the world thousands of planes were grounded and left idle on tarmac.

3. The UK Government followed many other countries in taking such actions. On 17 March 2020, the Foreign Secretary Dominic Raab MP announced to the House of Commons that the Government was advising against all international travel in light of the pandemic:

UK travellers abroad now face wide-spread international border restrictions, and lockdowns in various countries [...] With immediate effect, I have taken the decision to advise British nationals against non-essential travel globally, for an initial period of 30 days.<sup>1</sup>

Demand for air travel was further stifled on 23 March when the Prime Minister announced the closure of large parts of the UK economy, including all hotels and hostels for commercial use (with some exceptions), and instructed people to only leave their homes for a limited number of reasons.

4. The sudden and almost complete shutdown of passenger air travel had a severe economic impact on airlines, airports and air freight. Governments across the world responded with a mix of support, ranging from individual ‘bailout’ deals for airlines to industry-wide rescue packages to wider employment retention schemes available across multiple industries. Many international airlines have taken advantage of state support although for some struggling businesses, such as Flybe, the pandemic proved to be the final straw that precipitated collapse. Other airlines, such as British Airways and easyJet, have announced potential largescale redundancies as they seek to restructure their businesses.

5. Today, in mid-June, many countries in Europe and Asia are easing their lockdown measures, although the pandemic is still to reach its peak in other parts of the world. The future of the UK aviation industry remains precarious. Many countries, including the UK, continue to discourage or prohibit non-essential global travel. Many UK holidaymakers do not expect to fly abroad for their summer holiday—though some airlines have announced plans to run a significant summer schedule.<sup>2</sup> The number of passengers travelling by air remains a fraction of pre-pandemic levels and some in the industry believe that

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1 HC Deb, 17 March 2020, col 779

2 “Ryanair to restore 40% of scheduled flights from 1 July”, Ryanair [press release](#), 12 May 2020; “[EasyJet to resume flights across most European routes by August](#)”, The Guardian, 2 June 2020

this uncertainty may persist for up to two or three years, having a potentially industry-changing effect on aviation.<sup>3</sup> As a result, the outlook for the industry remains challenging and uncertain.

## Our inquiry

6. We announced an inquiry into the implications of the coronavirus outbreak on transport in April 2020. We decided to focus first on aviation, given the immediate and pressing challenges facing the sector. We received more than 60 submissions of written evidence, including from aviation workers and passengers awaiting refunds. We held three oral evidence sessions with industry representatives (airlines, airports, and ground handlers), trade unions, consumer groups and advocates, the Civil Aviation Authority and the Minister for Aviation, Kelly Tolhurst MP (“the Minister”). We are grateful to all those who contributed to our inquiry. We would especially like to thank the thousands of British Airways employees who submitted written evidence, or emailed us, to raise their concerns about the potential impact of job losses and changes in their employment terms and conditions.<sup>4</sup>

7. Our focus in this urgent inquiry was on the near- to medium-term: the immediate crisis facing the aviation industry, the real-life consequences for businesses, workers and passengers, and how the sector can restart and recover. Given the time available and the high level of uncertainty about the pandemic, we did not examine in great depth the longer-term implications for air travel. This would have been premature and speculative. We intend to return to examine the longer-term implications for air travel once the immediate crisis has subsided.

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3 “Don’t make a slow recovery more difficult with quarantine measures”, IATA [press release](#), 13 May 2020

4 [Open letter by the Committee](#) to all who have responded to the Committee’s ongoing work on the implications of coronavirus on UK transport, 18 May 2020

## 2. Impact of the coronavirus pandemic on the aviation sector

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### Strategic importance of aviation industry to UK

8. The UK has the largest aviation network in Europe and the third biggest in the world.<sup>5</sup> Around 2.2 million domestic and international flights either departed or landed in the UK in 2018.<sup>6</sup> Aviation is a crucial part of the UK economy with an estimated value of more than £28 billion.<sup>7</sup> Almost 80% of inbound visitors reached the UK by air.<sup>8</sup> Air freight accounts for over 40% of trade by value (despite being less than 1% of the volume of goods shipped).<sup>9</sup>

9. The aviation sector is also a significant employer in the UK, with some 230,000 workers, including at over 40 commercial airports.<sup>10</sup> Within Europe, it is estimated that every person employed directly by the aviation sector, and in aviation-enabled tourism, supports another 4.7 jobs.<sup>11</sup>

10. Witnesses to our inquiry emphasised the strategic importance of the sector to the wider UK economy. John Holland-Kaye, Chief Executive of Heathrow Airport Ltd, said:

Aviation is not just some other economic sector. It is the strategic sector for the UK. Many businesses up and down the country rely on long-haul flights, many of which go out of Heathrow, to get their exports to global markets. They also rely on those same long-haul flights to bring in critical parts for their manufacturing process, with a just-in-time supply chain. Unless you get those flights moving again [...] we will not be able to get the UK economy rebooted.<sup>12</sup>

11. The airport ground and cargo handling company, Swissport, emphasised the importance of aviation in the context of the UK's withdrawal from the European Union: "The UK is about to strike out on its own; we are about to go our own way post-Brexit. We are about to embark on trade agreements for the first time in 40 years [...] Aviation is key for those trade agreements."<sup>13</sup> Unite the Union emphasised the importance of regional connectivity: smaller regional airports were not only businesses but "critical parts of the regional infrastructure".<sup>14</sup> Some regional airports are wholly or part owned by local and national governments who receive an income from them.

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5 Including to over 370 destinations in more than 100 countries in the world. Department for Transport, [Aviation 2050: The future for UK aviation](#), December 2018, p 6

6 Department for Transport, [Aviation statistics: AVI0101](#), last updated on 17 December 2019

7 Includes both passenger and freight air transport. Office for National Statistics, [Annual Business Survey 2018](#), 15 May 2020

8 Visit Britain, [2019 snapshot](#), accessed on 10 June 2020

9 Airlines UK, [Assessment of the value of air freight services to the UK economy](#), October 2018, p i

10 Department for Transport, [Aviation 2050: The future for UK aviation](#), December 2018, p 21

11 Air Transport Action Group, [Aviation Benefits Beyond Borders](#), accessed 5 June 2020

12 Qq 65, 67

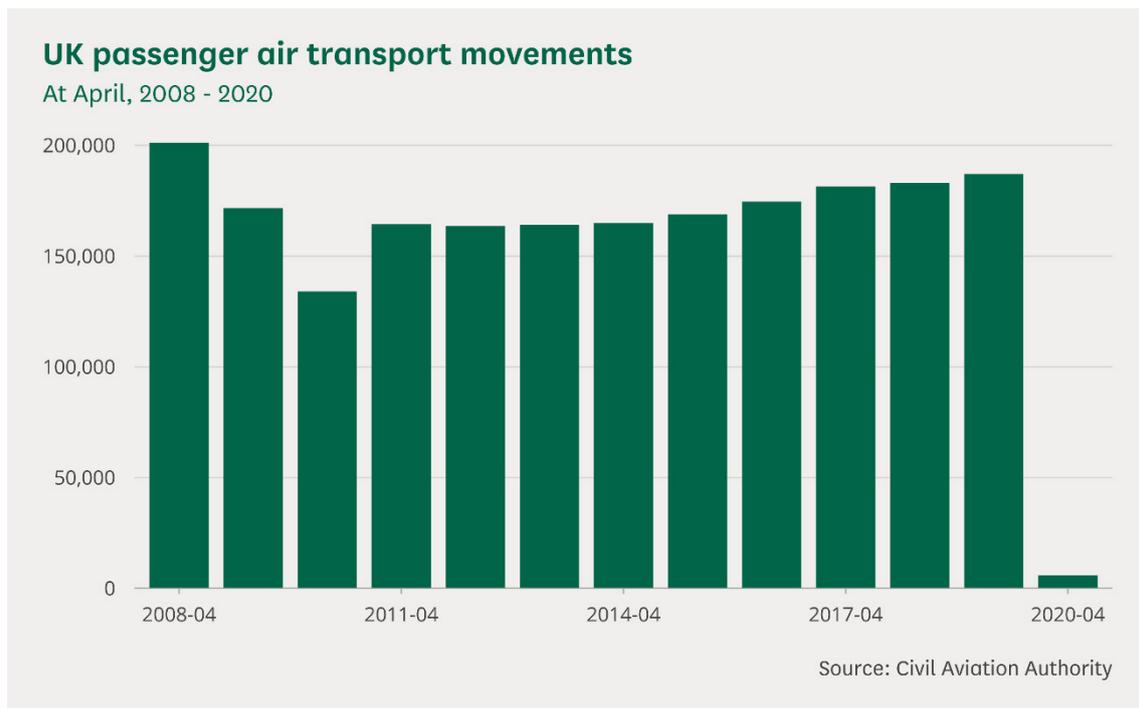
13 Q 223

14 Q 82

## The impact of the pandemic on air travel

12. The coronavirus pandemic has led to an unprecedented decline in the number of flights in early 2020. As seen in Figure 1, the number of air transport movements has fallen to a fraction of usual levels.<sup>15</sup> There were 5,800 passenger flights in April 2020 compared to 201,000 a year earlier: a reduction of 97%. The impact is several times more severe than the aftermath of the global financial crisis in 2008, when passenger flights reduced by around 67,000 to 134,000 per month.<sup>16</sup>

Figure 1: Decline in passenger air travel due to the coronavirus pandemic



13. Industry estimates suggest that passenger numbers may remain below 2019 levels until at least 2022.<sup>17</sup> As a result, aviation revenue has declined dramatically. The International Airport Transport Association (IATA) predicts the UK aviation industry faces a loss of revenue of up to £20.1 billion in 2020.<sup>18</sup> We explore the financial impact on airlines in more detail in Chapter 4.

14. The Minister for Aviation, Kelly Tolhurst MP, told the House on 3 June that “the sustainable recovery of the aviation sector is a core part of our commitment to global connectivity and growing the UK economy”.<sup>19</sup>

15 The Civil Aviation Authority defines an air transport movement as being: landings or take-offs of aircraft engaged on the transport of passenger, freight, or mail on commercial terms. All scheduled movements, including those operated empty, loaded charter and air taxi movements are including in this CAA definition. Figure 1 shows only those movements that involved passengers, on either scheduled or charter flights, flying internationally and domestically at all UK reporting airports.

16 Civil Aviation Authority, [UK airport data](#), accessed 10 June 2020

17 “Don’t make a slow recovery more difficult with quarantine measures”, IATA [press release](#), 13 May 2020

18 Airlines UK ([CIT0024](#))

19 HC Deb, 3 June 2020, [col 847](#)

**15. The aviation sector is of huge strategic and economic importance to the UK. The drastic reduction in air travel caused by the coronavirus pandemic has been devastating for the industry. Finding a proportionate way to steadily resume the number of flights while minimising the spread of coronavirus must be a priority for the UK Government.**

## 3. Quarantine and common health standards

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### The Government's quarantine policy

16. The UK Government did not implement a border quarantine policy during the first months of the coronavirus pandemic, unlike some other countries.<sup>20</sup> The Home Secretary, the Rt Hon Priti Patel MP, explained to the House of Commons on 3 June the reasoning behind this decision:

Some have suggested that public health measures at the border should have been introduced when the virus was its peak. However, at that time, the scientific advice was clear that such measures would have made little difference when domestic transmission was widespread. [...]

During the contain phase, the Government had at the borders an enhanced monitoring policy and an approach to identify symptomatic travellers from high-risk areas in the early stages and [...] safely triage them through the system. That was applied to those returning from Wuhan on 22 January, and that approach was broadened [...] in conjunction with the Department for Transport to the whole of China on 25 January and then to Japan on 8 February, Iran on 25 February, northern Italy on 4 March and the whole of Italy on 5 March.

When there was significant transmission within the UK, border restrictions would have been marginal in their impact on the epidemic within the UK. Ministers at the time articulated that across Government comprehensively [...]. At that point it was recognised that transmission from outside would have been contributing a tiny proportion of the number of new infections in the UK.<sup>21</sup>

17. On 10 May—while the UK lockdown was beginning to be eased—the Prime Minister announced that from 8 June the Government would implement a 14-day quarantine period for people entering the UK from abroad. Aside from some limited exemptions,<sup>22</sup> anyone entering the UK—including returning UK residents—will have to self-isolate for two weeks (the incubation period of coronavirus) and disclose details of where they will be staying.<sup>23</sup> In England people under quarantine face spot checks and fines of at least £1,000 if they break the rules. The devolved administrations have set their own enforcement approaches.<sup>24</sup>

18. This measure is aimed at preventing a second wave of infection within the country. The Home Secretary told the House on 3 June:

[...] the transmission rate in the United Kingdom continues to decline, and international travel is likely to resume from its record low. Therefore, the

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20 For example, Italy implemented nationwide quarantine measures on 9 March 2020.

21 HC Deb, 3 June 2020, [col 865](#) and [col 869](#)

22 As set out in the [The Health Protection \(Coronavirus, Public Health Information for Passengers Travelling to England\) Regulations 2020, No. 567](#)

23 [Home Secretary announces new public health measures for all UK arrivals](#)

24 [Northern Ireland](#), [Scotland](#), [Wales](#) quarantine regulations

scientific advice is that imported cases of the virus pose a more significant threat to our national effort and our recovery. Travellers from overseas could become a higher proportion of the overall number of infections in the UK, and therefore increase the spread of the disease. The Government are therefore taking a proportionate and time-limited approach to protect the health of the British public.<sup>25</sup>

19. The scheme will be reviewed every three weeks: the first review will take place the week beginning 28 June. The Government says it will publish information on the criteria that must be satisfied for the health measures to be lifted and these will include:

- the rate of infection and transmission internationally and the credibility of reporting;
- the measures that international partners have put in place;
- levels of imported cases in other countries where there are more relaxed border measures; and
- the degree to which antibody and other methods of testing prove effective in minimising the health risk.<sup>26</sup>

## Reaction to the quarantine policy

20. The Government's 14-day border quarantine policy has attracted much criticism, including from parliamentarians and the aviation industry.<sup>27</sup> Travel and aviation industry representatives have said that the policy will have a hugely negative impact on consumer confidence, the recovery of travel and aviation businesses and the prospect for their employees, and the UK's general economic recovery.<sup>28</sup> International Airlines Group (IAG) Chief Executive Willie Walsh said that "our capacity into and out of the UK would be pretty minimal" in the event of a 14-day quarantine measure.<sup>29</sup> Travel commentator Simon Calder told us that a quarantine policy would "effectively wipe out overseas travel for British people for as long as it prevailed".<sup>30</sup> Heathrow Airport Ltd said that a long-term quarantine policy would not just have an impact on the aviation sector but on "all the other economic sectors that rely on it": "unless there is a clear plan as to how the Government is going to reopen trade, the country will be unable to get back to work."<sup>31</sup> IAG, Easyjet and Ryanair have initiated legal action against the Government challenging the blanket quarantine policy.<sup>32</sup>

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25 HC Deb, 3 June 2020, [col 865](#)

26 HC Deb, 3 June 2020, [col 865](#)

27 HC Deb, 3 June 2020, [col 865](#)

28 For instance, an open letter from various companies in the travel sector to the Home Secretary. The Guardian, [UK travel firms call for 14 day quarantine period to be scrapped](#), 28 May 2020

29 Q115

30 Q55

31 [CIT0042](#)

32 The Telegraph, [British Airways considers legal action to block Government's 14-day quarantine](#), 5 June 2020

## Alternatives to a blanket quarantine approach

### *Targeted quarantine and “air bridges”*

21. There are a number of alternatives to a blanket quarantine policy, including more nuanced ways of focusing policies on higher risk areas and facilitating travel between countries with lower incidence of disease. Some countries, such as Vietnam, have applied a more targeted quarantine policy based on daily or weekly assessments of high-risk countries.<sup>33</sup> In evidence to the Home Affairs Committee, Professor Annelies Wilder-Smith from the London School of Hygiene and Tropical Medicine, suggested that the UK should likewise target its quarantine policy based on a regularly updated list of countries with a clear higher incidence than the UK.<sup>34</sup>

22. An “air bridge” or “travel corridor” would enable people to travel between two countries with similar relative levels of infection without the need to quarantine. On 18 May, the Secretary of State for Transport proposed the use of air bridges as an alternative to quarantine<sup>35</sup> but media reports suggested the Home Office initially rejected the idea as unworkable.<sup>36</sup> Heathrow Airport Ltd has described air bridges as a “responsible, balanced approach that will protect public health, whilst also stimulating the economic activity that will help the UK’s economic recovery”.<sup>37</sup>

### *Health screening at airports*

23. More vigorous health screening at airports has been proposed as an alternative, or an accompaniment, to quarantine measures. Airports in South East Asia have used temperature checks on incoming passengers, as part of a package of containment measures.<sup>38</sup> Heathrow Airport launched a temperature screening trial on 21 May.<sup>39</sup> Another proposal is “health passports”, whereby facial biometrics are used to provide a digital certificate to verify whether the passport holder has had Covid-19. However, the reliability of Covid-19 tests has been questioned.<sup>40</sup> The World Health Organisation has also warned that there is insufficient evidence that people who have recovered from Covid-19 are immune from a second infection.<sup>41</sup>

24. We questioned the Minister for Aviation about the Government’s decision to implement a blanket quarantine policy in June. The Minister told us that the policy was led by the Home Office.<sup>42</sup> She explained that it was being implemented because UK transmission rates of Covid-19 were in decline and there was a need to reduce new cases entering the UK from abroad.<sup>43</sup>

25. The Government has said it is actively considering alternative measures. On 3 June the Minister told the House that “no option is off the table, and we are looking closely at air

33 See [Info for travellers on Covid-19 in Vietnam](#)

34 [Oral evidence](#) taken before the Home Affairs Committee on 22 May 2020, HC (2019–21) 232, Q651 [Laura Farris]

35 HC Deb, 18 May 2020, col 371

36 [Grant Schapps air bridges plan](#)

37 CIT0042

38 Eg [Singapore’s coronavirus temperature scans and tracking](#)

39 [Temperature screening trial launch](#)

40 How reliable are the UK’s coronavirus tests?

41 [WHO warns against coronavirus immunity passports](#)

42 Q254

43 Q261

bridges, [otherwise] known as international corridors”<sup>44</sup> Dr Rannia Leontaridi, Director for Aviation at the Department for Transport, told us that the Department was working closely with UK airports and airlines, trade unions, the International Air Transport Association (IATA) and others, to look at the concept of air bridges as a “potential way of working with various countries in the future”<sup>45</sup> There have been reported disagreements between Government departments on the criteria and thresholds for any system of “air bridges”.<sup>46</sup> The Home Secretary told the House on 3 June that the Government will consider reviewing the current quarantine measures “only when the evidence shows that it is safe to do so, because public health will always come first”.<sup>47</sup> We note that school holidays in Scotland and Northern Ireland begin in late June or early July.

26. Giving evidence to the Liaison Committee on 27 May, the Prime Minister suggested it may be possible to remove countries with a low reproduction, or “R”, rate, when the quarantine policy is reviewed at the end of June.<sup>48</sup> In respect of “air bridges”, the Prime Minister said:

We will have to agree [air bridges] with the other countries concerned but we will also have to make progress in tackling the disease, and we will have to have evidence that the other countries are in at least as good a position as we are.”<sup>49</sup>

**27. We are concerned about the Government’s decision to introduce a blanket 14-day quarantine period for travellers to the UK from other countries. This will further damage both the recovery of the aviation sector and the wider economy. We are not persuaded that a blanket quarantine policy is the right policy option at this time compared to the alternatives. We support a more targeted and nuanced border control policy that would allow people travelling from countries where the infection rate of Covid-19 is relatively low to enter the UK on a less restrictive basis.**

**28. *In responding to this Report, the Government should clearly explain the reasons for its current quarantine policy and the evidence base it used to make its decision.***

**29. The Government will be reassessing the quarantine policy in late June and it is right that preventing a second wave of the infection should be the utmost priority in determining next steps. *Should the conditions allow in late June, we strongly urge the Government to introduce a more flexible and risk-based approach to border control and people entering the UK.***

**30. *In order to allow the UK aviation industry to plan ahead, the Government should urgently update Parliament with detail about the key milestones and conditions that will need to be met for the current quarantine policy to be revised and ultimately ended.***

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44 HC Deb, 3 June 2020, [col 849](#)

45 Q249

46 [Boris Johnson urges ministers to look at alternatives to 14 day quarantine plan](#)

47 HC Deb, 3 June 2020, [col 865](#)

48 Oral evidence to Liaison Committee, [27 May 2020](#), Q97

49 Oral evidence to Liaison Committee, [27 May 2020](#), Q98

## Common international health standards

31. No common health standards for international air travel have been set in response to the coronavirus pandemic, for instance relating to temperature checks at airports or the use of face masks. We heard that the lack of such standards creates a deterrent and a health risk for both passengers and workers in the sector. Airlines have raised concerns about the impracticality of social distancing measures on planes.<sup>50</sup>

32. John Holland-Kaye, Chief Executive of Heathrow Airport, argued that international standards were necessary because social distancing measures could not work in airports. The airport had conducted temperature screening trials and was sharing the information with the Government and with industry “to help the UK take a lead in using it to shape future agreed measures for airports in this country, which could form the basis of a Common International Standard”.<sup>51</sup> Other witnesses agreed that the UK Government should work with its international counterparts and take a lead in developing common health standards.<sup>52</sup>

33. The Minister told the House on 3 June 2020 that the Department’s Aviation Restart, Recovery and Engagement Unit was working across Government and the industry to develop internationally agreed health standards.<sup>53</sup> We discuss the work of the Unit in more detail in Chapter 6.

**34. Aviation is a global industry and there is a need for internationally agreed health standards to minimise the risk to both passengers and workers from Covid-19. *The UK has in the past led the way in the creation of global aviation standards and should do likewise for common health standards in light of the pandemic. In responding to this Report, the Government should set out what action it has taken at the international level to drive forward the development and implementation of global health standards for the aviation sector.***

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50 Q107

51 CIT0042

52 Q 64

53 HC Deb, 3 June 2020, [col 851](#)

## 4. Government support and intervention

### The financial impact of the pandemic on the aviation industry

35. As noted in Chapter 2, the dramatic decline in air passenger numbers has had a severe impact on aviation industry revenue: in the UK alone it is facing a potential loss of over £20 billion in 2020.<sup>54</sup> At the same time, airports and airlines remain subject to high fixed costs. Airlines UK told us that “whilst revenue has been all but eliminated, substantial costs remain”, including for the leasing, insurance, maintenance and purchase of aircraft.<sup>55</sup> Airports also have high fixed costs, such as policing and security, the maintenance of airfields and terminals, and pre-existing contracts.<sup>56</sup> Heathrow Airport told us it was losing £200 million per month.<sup>57</sup> Some UK airports have closed temporarily, but others have remained open or partially open to maintain transport links for communities, repatriate citizens and enable vital services to continue.<sup>58</sup>

36. Airports and airlines are part of a much wider aviation sector. As already noted, the UK is the third largest aviation market in the world, behind China and the USA.<sup>59</sup> Airbus and Rolls-Royce are examples of two large companies with UK-based operations that provide thousands of jobs and rely on civil aviation and fleet renewal. The Centre for Cities warned that towns and cities in which a large share of the population work in the aviation industry, such as Crawley and Luton, are particularly vulnerable to the economic consequences of the pandemic.<sup>60</sup> Some local authorities also own a large percentage of the shares in regional airports, up to 50% in some cases.<sup>61</sup> There have been reports that the loss of this income stream is exacerbating financial difficulties for some public authorities.<sup>62</sup>

### State support for the aviation industry

#### UK Government support

37. There has been widespread public debate about the provision of government support for aviation, both in the UK and elsewhere, in response to the coronavirus pandemic. The debate has centred around whether and how governments should assist their aviation industries, especially airlines, through the crisis and the conditions under which governments should do so. More than 100,000 people have signed a parliamentary e-petition calling on the Government to support the British aviation industry during the coronavirus pandemic.<sup>63</sup>

38. On 17 March, the Chancellor of the Exchequer said that he was considering a

54 Figures from the International Air Transport Association (IATA) predict the UK aviation industry faces a loss of \$26.1billion due to the Covid-19 pandemic, which equates to £20.7billion. See [Increased Risk to Jobs as European Airline Revenues Collapse](#), International Air Transport Association press release, 23 April 2020

55 Airlines UK [CIT0024](#)

56 Heathrow [CIT0042](#); Airport Operators Association [CIT0043](#)

57 [CIT0042](#)

58 Heathrow [CIT0042](#)

59 Airlines UK [CIT0024](#)

60 Airlines UK [CIT0024](#)

61 [Regional Airports](#), Standard Note SN00323, House of Commons Library, April 2016.

62 [Coronavirus: Luton Borough Council faced with 'stark' savings](#), BBC News, 19 May 2020; [Luton council draws up emergency cuts to avoid bankruptcy](#), The Guardian, 24 May 2020.

63 Petitions, [Support the British aviation industry during the COVID-19 outbreak](#), 20 September 2020

“specific potential support package for airlines and airports”.<sup>64</sup> To date, however, the UK Government has not provided an industry-wide package for the aviation sector,<sup>65</sup> although it has waived air traffic control charges for 14 months and the Civil Aviation Authority (CAA) has introduced a payment plan facility to cover the payment of annual charges.<sup>66</sup> The Government’s focus has instead been to offer “bespoke” support to individual companies, and only once other sources of financial support have been exhausted.<sup>67</sup> The Government rejected a bid for support from Virgin Atlantic on this basis.<sup>68</sup> The Minister for Aviation told the House on 3 June that “a bail-out by the taxpayer or any other Government support would need to comply with state aid rules and require us to meet our legal obligations, particularly on climate change.”<sup>69</sup>

39. Companies in the aviation sector have primarily accessed generic Government support schemes to deal with the pandemic, such as the Job Retention Scheme (CJRS), VAT deferrals, the Covid-19 Corporate Financing Facility (CCFF) and the Coronavirus Business Interruption Loan Scheme (CBILS).<sup>70</sup> The Minister for Aviation told the House on 3 June that the [CJRS] has had a “massive impact in the aviation sector in keeping people employed”.<sup>71</sup> Airlines UK told us “the vast majority of carriers” have benefitted from the CJRS and VAT deferrals.<sup>72</sup> Some airlines have accessed financial support through the CCFF or the CBILS.<sup>73</sup> Ryanair and easyJet each accessed £600 million from the CCFF and British Airways and Wizz Air each accessed £300 million. The Civil Aviation Authority is also working with airlines, airports and ground handlers to provide flexibility within the regulatory framework.<sup>74</sup>

40. Despite the support available, several UK-based airlines—including British Airways, Ryanair,<sup>75</sup> easyJet and Virgin Atlantic—have announced actual or potential large-scale redundancies, changes to staff terms and conditions, and cancelled or delayed orders for new aircraft.<sup>76</sup> We discuss redundancies in more detail in Chapter 5.

### **Support in other countries**

41. Other countries have provided financial support to their domestic aviation industries in different ways. Many governments across Europe, the US and Australia have supported their aviation sectors with industry-wide measures<sup>77</sup> in addition to bailouts or state subsidies for individual companies.<sup>78</sup> US airlines, for example, can access \$58 billion (£46

64 HC Deb, 17 March 2020, [Col. 932](#) [Commons Chamber]

65 [Sunak warns airlines they will receive only ‘bespoke’ help](#), The Financial Times, 24 March 2020

66 [U.K. and European Governments Defer ATC Charges for Airlines](#), Airline Geeks, 10 April 2020

67 [Sunak warns airlines they will receive only ‘bespoke’ help](#), The Financial Times, 24 March 2020

68 [Virgin Atlantic told to resubmit bailout bid by ‘unimpressed’ UK Treasury](#), The Financial Times, 17 April 2020

69 HC Deb, 3 June 2020, [col 850](#)

70 Q90

71 HC Deb, 3 June 2020, [col 850](#)

72 Q90. “Carriers” in this instance means UK registered airlines with a UK air operators certificate.

73 Q90

74 HC Deb, 3 June 2020, [col 847](#)

75 Ryanair is headquartered in Dublin, although one of its primary operational bases is at London Stansted Airport.

76 [Coronavirus: EasyJet plans up to 4,500 job cuts](#), BBC News, 28 May 2020; [Virgin Atlantic to axe a third of jobs and shut Gatwick operations](#), The Guardian, 5 May 2020; [Ryanair to cut 3,000 jobs as coronavirus grounds flights](#), The Guardian, 1 May 2020; [Willie Walsh Q132; EasyJet agrees delay with Airbus on delivery of 24 new aircraft](#), The Guardian, 9 April 2020; [British Airways to cut up to 12,000 jobs as aviation outlook darkens](#), The Financial Times, 29 April 2020

77 Including access to loans and grants and deferrals and refunds for aviation taxes and charges.

78 Airlines UK [CIT0024](#), Airport Operators Association [CIT0043](#)

billion) in loans and payroll grants, while US airports can share \$10 billion (£8 billion) of support.<sup>79</sup> Australia, France and Norway have provided industry-wide measures including deferrals or refunds of aviation taxes and charges.<sup>80</sup> John Holland-Kaye, Chief Executive of Heathrow Airport, told us:

It is an indication that the French, the Germans, the Americans and others see aviation as fundamental to the success of their economy. They were the first to step in and make sure that their aviation sectors would do well out of this.<sup>81</sup>

42. The European Commission has relaxed its rules on state aid in light of the pandemic, although state aid requests still require approval. As of late May, IATA reported that \$30 billion (£23.7 billion) of state aid to the aviation sector had been promised by European countries, including state support for individual airlines in Germany, France, Holland, Sweden, Denmark, Norway, Spain and Italy.<sup>82</sup> For example:

- Air France-KLM has received €10 billion (£8.9 billion) from the French and Dutch governments;<sup>83</sup>
- Vueling and Iberia, two Spanish airlines owned by IAG—the owners of British Airways—received €1 billion (£890 million) in state-backed loans from five Spanish banks;<sup>84</sup> and
- The German Government has agreed to a €9 billion (£8 billion) financial support package for Lufthansa, in which the German Government will take a 20% equity stake in the airline.<sup>85</sup>

43. Some support packages in other countries have received criticism for imposing conditions on airlines or being anti-competitive.<sup>86</sup> For example, industry leaders have criticised the German Government's support for Lufthansa as anti-competitive.<sup>87,88</sup> Witnesses told us that state support by other countries could put the UK industry at a competitive disadvantage.<sup>89</sup>

## Types and conditions of further support within the UK

44. We heard evidence from representatives across the aviation industry calling for the Government to provide additional support, including specific sector-wide measures.

79 Airlines UK [CIT0024](#), Airport Operators Association [CIT0043](#)

80 Airlines UK [CIT0024](#), Airport Operators Association [CIT0043](#)

81 Q67

82 [Airline Debt to Balloon by 28% -Heavy New Debt Levels Will Weigh Down Recovery](#), International Air Transport Association (IATA), 26 May 2020; Airlines UK [CIT0024](#), Airport Operators Association [CIT0043](#)

83 Airlines UK [CIT0024](#)

84 [IAG secures Spanish bank loans for Iberia and Vueling despite BA job cuts](#), City AM, 1 May 2020

85 [Lufthansa agrees €9bn bailout with German government](#), The Guardian, 26 May 2020

86 The French Government's bailout of Air France-KLM prohibits the airline competing on domestic routes where high speed rail is a viable option. [Coronavirus aid: Air France 'must cut domestic flights to get state loan](#), BBC News, 4 May 2020

87 The European Commission is demanding Lufthansa give up its slots at Munich and Frankfurt as part of the deal. Lufthansa has acknowledged that the financial support from the German Government is designed not only to help the airline survive but to maintain its global leading position. [Michael O'Leary slams 'illegal' Lufthansa state bailout](#), City AM, 26 May 2020

88 [Lufthansa chief says €9bn bailout larger than needed for survival](#), The Financial Times, 3 June 2020

89 Q68 [Mr Holland-Kaye]

Some have called for certain conditions to be placed on government support, including relating to environmental objectives and regional connectivity. We cover each of these in turn below.

### **Specific industry-wide measures**

45. To help airlines bring prices down and encourage people to go on holiday and take business trips, industry representatives have called for temporary suspensions of aviation-specific taxes and charges, including the suspension of Air Passenger Duty (APD) payments.<sup>90</sup> Airlines UK and BALPA called for APD payments to be suspended for six months.<sup>91</sup> Airports also supported suspending APD particularly to help incentivise domestic flights.<sup>92</sup>

46. We also heard that business rates were a substantial cost for both large and small airports.<sup>93</sup> The Airport Operators Association told us that business rates relief in England has been introduced for the tourism, retail and hospitality industries, but not for airports.<sup>94</sup> The aviation sector has been able to apply to local authorities for support, but we heard that local authorities often lack the funding needed to refund airports.<sup>95</sup> In contrast, the Scottish Government and the Northern Ireland Executive have both provided temporary relief of business rates to the sector.<sup>96</sup> Airports and airlines have called for UK-wide relief of business rates for 12 months, as is currently the case in Scotland.<sup>97</sup>

**47. *Given the gravity of the crisis in the aviation sector, we recommend that the UK Government implements support measures aimed specifically at the aviation sector in order to stimulate demand and protect businesses. In particular, we recommend that the UK Government and the devolved administrations (where they have not already done so) introduce a 12-month business rates relief for airlines and airports and a six-month temporary suspension of Air Passenger Duty payments.***

### **Environmental conditions**

48. There have been suggestions that national governments should desist from providing financial support to the aviation industry given its carbon footprint or impose environmental conditions in exchange for such support. Environmental conditions could include linking government support to taxes, climate change targets, or investments in greener fuels and aircraft. Greenpeace has said that state financial support for airlines must be subject to environmental conditions.<sup>98</sup> John Holland-Kaye of Heathrow Airport also supported the inclusion of environmental objectives as a condition for financial support.<sup>99</sup> Others, such as Airlines UK and the Airport Operators Association (AOA),

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90 Q91

91 Airlines UK, [CIT0024](#); Q91; Budget 2020: [Pilots call for air passenger duty tax suspension](#), City AM, 6 March 2020

92 Q74 [Ms Bowen Rees]; Q74 [Ms Dee]

93 Q66 [Ms Bowen Rees]; Airlines UK, [CIT0024](#), Airport Operators Association, [CIT0043](#); [UK airports face multimillion-pound business rates bills](#), The Financial Times, 1 June 2020

94 Q66

95 Q66 [Regional and Business Air Groups]

96 [Help for non-domestic rate payers in Scotland during coronavirus \(COVID-19\)](#), Scottish Government news story 2 June 2020

97 Q66 [Airport Operators Association]; Airlines UK [CIT0024](#); Heathrow [CIT0042](#)

98 Greenpeace, [airlines industry wants a government bailout. Here's what needs to happen](#), April 2020

99 Q78 [Mr Holland-Kaye]

opposed the suggestion.<sup>100</sup> The AOA argued that the UK aviation industry has already committed to meet the Government's net-zero carbon emissions target by 2050 and has plans in place to achieve it.<sup>101</sup>

49. Governments in other countries have adopted different approaches. In France, for example, the government has imposed environmental conditions on Air France-KLM, including a requirement that the airline can no longer offer domestic routes where there is a viable rail alternative.<sup>102</sup> However, the German Government has not placed environmental conditions on Lufthansa as part of its bailout package.<sup>103</sup>

### **Regional connectivity**

50. Regional airports are crucial to local economies. These airports connect parts of the UK together but also provide international connections between UK regions and the rest of world, which are critical for enabling the growth of regional economies. Domestic flights are vital to some parts of the UK providing connections across water channels and to hub airports.

51. Flybe's collapse on 6 March has had significant implications for regional connectivity in some parts of the country. At the time of its collapse the airline operated around 40% of all UK domestic flights and operated over half the departure flights from Southampton, Exeter, Belfast George Best, Durham, Jersey and Cardiff airports.<sup>104</sup> Flybe's network included flights within the UK as well as from the UK to Ireland, the Channel Islands and Europe. It was the only provider on the majority of its network and thus the only viable option for people in some remote parts of the UK. The airline suffered losses, despite little competition from other airlines.<sup>105</sup>

52. Some of Flybe's domestic flights were in competition with surface transport alternatives, namely road and rail. The Centre for Aviation—a market intelligence company—has predicted that such competition will only increase, with High Speed Two and other rail improvements.<sup>106</sup> The French Government has used its financial support to Air France-KLM to encourage a modal shift from domestic flights to rail (by preventing the airline from competing where there is a viable rail alternative).<sup>107</sup>

53. Many witnesses lamented the loss of Flybe and argued that the Government should step in should other companies face a similar predicament.<sup>108</sup> Others, however, made a clear distinction between government support for viable businesses and support for ones that were failing before the pandemic. Willie Walsh, Chief Executive of IAG, disapproved of government support to failed or failing companies but not when companies were suffering through no fault of their own due to the pandemic.<sup>109</sup>

54. In January 2020 the Government announced plans to conduct a review of regional

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100 Q109, Q75

101 Q75

102 [Coronavirus aid: Air France 'must cut domestic flights to get state loan'](#), 4 May 2020

103 [Lufthansa agrees €9bn bailout with German government](#), The Guardian, 25 May 2020

104 [Flybe: business and political leaders warn of severe impact on regions](#), The Guardian, 5 March 2020

105 Centre for Aviation (CAPA), [UK regional airlines: Flybe or not Flybe? Connectivity!](#), January 2020

106 Centre for Aviation (CAPA), [UK regional airlines: Flybe or not Flybe? Connectivity!](#), January 2020

107 [Coronavirus aid: Air France 'must cut domestic flights to get state loan'](#), BBC News, 4 May 2020

108 Q70

109 Q124

connectivity, “to ensure all nations and regions of the UK have the domestic transport connections local communities rely on—including regional services from local airports”.<sup>110</sup> We understand that the review has been delayed due to the coronavirus pandemic. The airports we heard from stressed the importance of the review and urged that the work be completed and published as soon as possible.<sup>111</sup> They told us that the Government should incentivise airlines, who will have limited liquidity after the crisis, to invest in regional routes. Regional routes often have tight margins and airlines may otherwise be reluctant to adopt them.<sup>112</sup>

**55. Regional airports are vital to connect distant parts of the United Kingdom where no effective rail routes exist: Northern Ireland to Great Britain, and the UK’s nations and regions directly to other countries. The collapse of Flybe in March has unfortunately severely contracted regional air options across the UK. The sector-specific support we have recommended in respect of taxes on the aviation industry could help insulate regional airports from cost pressures.**

**56. *We recommend the Department for Transport resume as a matter of urgency its review of regional connectivity with a view to publication by the end of 2020.***

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110 HC Deb, 15 January 2020, [Col 44WS](#)

111 Q80 [Ms Bowen Rees]

112 Q74 [ Ms Bowen Rees]

## 5. Restructuring, redundancies and terms and conditions

### Redundancies in the aviation sector

57. As noted in Chapter 4, several aviation companies including British Airways, Virgin Atlantic, easyJet, Ryanair, Rolls Royce and Airbus have announced thousands of redundancies. This is despite many of these companies accessing the Government's Job Retention Scheme (CJRS), which was implemented to help businesses severely affected by the pandemic to retain employees and protect the economy.<sup>113</sup>

58. On 12 May the Chancellor of the Exchequer extended the CJRS until October 2020.<sup>114</sup> Later that month, the Chancellor also announced changes to help employers bring staff back to work part-time from July and for employers to begin to share salary costs with Government from August, until the scheme ends in October.<sup>115</sup> There have been calls from some in the industry to extend the CJRS for the aviation sector beyond October.<sup>116</sup> Aviation trade unions, including the Trade Union Congress, and the New Economics Foundation have called for the CJRS to be extended for the aviation industry "until the sector has stabilised", with Unite calling for a "planned, tapered approach to the end of the CJRS".<sup>117</sup>

59. The threat of redundancies is particularly acute in the airline industry, given the potential for the pandemic, and the subsequent economic consequences, to suppress passenger numbers for at least two to three years. The extension of the CJRS to October, supported by airlines, has not prevented UK carriers from proceeding with these plans. For instance:

- British Airways is consulting on cuts of up to 12,000 jobs and to downgrade the terms and conditions of approximately 35,000 employees;<sup>118</sup>
- easyJet is proposing to cut 4,500 jobs;<sup>119</sup> and
- Virgin Atlantic and Ryanair are each proposing to cut around 3,000 jobs.<sup>120</sup>

The situation is not unique to the UK. Airlines in other countries are proposing to make large-scale redundancies,<sup>121</sup> including where governments have supported carriers with significant sums of state aid.<sup>122</sup>

113 The Coronavirus Job Retention Scheme has allowed employers affected by the pandemic to furlough employees and apply for a grant to cover 80% of their wages, up to £2500 per month, plus the associated Employer National Insurance contributions and pension contributions on that subsidised furlough pay.

114 [Chancellor extends furlough scheme until October](#), HM Treasury, 12 March 2020

115 [Chancellor extends Self-Employment Support Scheme and confirms furlough next step](#), HM Treasury, 29 March 2020

116 [WELCOME INCREASED JRS FLEXIBILITY BUT NEED TO EXTEND BEYOND OCTOBER](#), Airport Operators Association, 29 March 2020.

117 New Economic Foundation, [Crisis Support to aviation and the right to retrain](#), June 2020; Unite the Union, [Unite's Blueprint for the Aviation Industry in a Post-Covid 19 world](#), April 2020

118 [British Airways to cut up to 12,000 jobs as aviation outlook darkens](#), The Financial Times, 29 April 2020; [BA threatens to dismiss 19,000 staff unless they accept worse pay and conditions](#), ITV News, 1 June 2020

119 [Coronavirus: EasyJet plans up to 4,500 job cuts](#), BBC News, 28 May 2020

120 [Virgin Atlantic to axe a third of jobs and shut Gatwick operations](#), The Guardian, 5 May 2020; [Ryanair to cut 3,000 jobs as coronavirus grounds flights](#), The Guardian, 1 May 2020.

121 [Emirates cuts jobs as coronavirus hammers aviation](#), The Financial Times, 31 May 2020

122 [American Airlines and Delta move to cut thousands of jobs](#), The Financial Times, 28 May 2020

60. The motivations of some airlines in announcing redundancies has been questioned. Some have been accused of seeking to exploit the crisis to restructure their organisations and emerge more profitable. We heard that carriers were engaged in a “turf war” with each other, with the expectation that some might fail. The British Airline Pilots Association (BALPA) told us that airlines are “egging the pudding too much to take advantage of the crisis to make changes and downsize their workforce unnecessarily.”<sup>123</sup>

61. We heard evidence that many of the decisions about redundancies, especially by UK airlines, were being made prematurely, in isolation, and without clear information from governments about when air travel can resume. John Holland-Kaye, Chief Executive of Heathrow Airport, told us that business leaders across the sector were currently making decisions about job losses in a “vacuum”:

If the Government say, “Here is the plan. When the community transmission level is down low enough, you can get flying again,” although that might be three, four or five months away, we will save tens of thousands of jobs. Those decisions will be made within the next few weeks.<sup>124</sup>

62. BALPA said that companies needed to avoid making “knee-jerk”<sup>125</sup> decisions about jobs and called for a stronger message from the Government: “[the] Government should be saying that the right time to take those decisions is not while we are working out a holistic way forward for the industry [...] they need to be when we have our plan.”<sup>126</sup>

63. Government guidance states employers can make employees redundant while they are on the CJRS,<sup>127</sup> although the Prime Minister and the Minister for Aviation both disapproved of this practice.<sup>128</sup> The Minister told the House on 3 June:

The recent announcements about redundancies from companies such as British Airways, Virgin and easyJet will be very distressing news for employees and their families. These are commercial decisions that I regret, particularly from companies that benefit from the job retention scheme, which was not designed for taxpayers to fund the wages of employees only for those companies to put the same staff on notice of redundancy during the furlough period. The Government stand ready to support anyone affected, with the Department for Work and Pensions available to help employees identify and access the support that is available.<sup>129</sup>

**64. The loss of some jobs in the aviation sector may sadly be inevitable. But such fundamental decisions about people’s livelihoods should not be made prematurely and until there is clearer information about the industry’s recovery. We urge UK-based aviation employers not to proceed hastily with largescale redundancies or restructuring to terms or conditions of employees until the Job Retention Scheme ends in October 2020 and they have had the opportunity to consider the Government’s plans to help the sector restart and recover.**

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123 Q198

124 Q84

125 Q224 [Brian Strutton]

126 Q224 [Brian Strutton]

127 HM Revenue and Customs, [Support for businesses and self-employed people during coronavirus](#), 29 March 2020

128 Prime Minister Liaison Committee, HC Deb, 3 June 2020, [col 847](#)

129 HC Deb, 3 June 2020, [col 847](#)

## British Airways: consultation on redundancies and changes to terms and conditions

### *British Airways plans to change staffing structure*

65. In late April, British Airways wrote to trade unions about its plans to consult on a reduction of up to 12,000 jobs (out of a workforce of 42,000) and downgrade the terms and conditions of the bulk of its remaining employees.<sup>130</sup> The consultation will end on 15 June. In particular, the company is consulting on plans to:

- only meet its minimum statutory obligations on redundancy pay, arguing that enhanced voluntary redundancy is “prohibitively expensive” in the circumstances;<sup>131</sup>
- revise its employment procedures for remaining employees, including its disciplinary, grievance, absence and performance management procedures;<sup>132</sup>
- restructure its cabin crew into a single fleet, with a single set of pay, terms and conditions, including “temporary layoff or short-time arrangements” (British Airways cabin crew currently work on three different fleets, with the newest fleet on less favourable pay, terms and conditions);<sup>133</sup> and
- alter “the rostering, scheduling and current operations environment” for its pilots.<sup>134</sup>

66. In letters to Unite the Union on 28 April 2020, British Airways said that if the company was “unable to reach agreement on these proposals as part of the consultation process (and we were unable to implement these proposals by relying on the reasonable changes clause in an employee’s contract)” British Airways would propose “to give all employees notice of dismissal by reason of redundancy and/or some other substantial reason,” and then “offer a proportion of them employment under new terms and conditions.”<sup>135</sup> Unions have referred to this approach as “fire and rehire”. The same arrangements now apply to British Airways’ 4,300 pilots.<sup>136</sup> Unions have strongly objected to British Airways’ threat to “fire and rehire” staff and are reported to have made its removal a condition of their full engagement in the consultation process.<sup>137</sup>

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130 [British Airways to cut up to 12,000 jobs as aviation outlook darkens](#), The Financial Times, 29 April 2020

131 Letter from Amy James, Head of IFCE at British Airways, to Oliver Richardson, National Officer for Aviation at Unite the Union, on 28 April 2020.

132 Letter from Amy James, Head of IFCE at British Airways, to Oliver Richardson, National Officer for Aviation at Unite the Union, on 28 April 2020; Letter from Al Bridger, Director of Flight Operations at British Airways, to John Moore, Head of Industrial Relations at Balpa on 28 April 2020.

133 Letter from Amy James, Head of IFCE at British Airways, to Oliver Richardson, National Officer for Aviation at Unite the Union, on 28 April 2020.

134 Letter from Al Bridger, Director of Flight Operations at British Airways, to John Moore, Head of Industrial Relations at Balpa on 28 April 2020.

135 Letter from Amy James, Head of IFCE at British Airways, to Oliver Richardson, National Officer for Aviation at Unite the Union, on 28 April 2020.

136 [BA ‘dismissal threat’ undermines talks, pilots’ union Balpa says](#), BBC News, 8 June 2020

137 [BA ‘dismissal threat’ undermines talks, pilots’ union Balpa says](#), BBC News, 8 June 2020; Letter from Huw Merriman MP to all Members of Parliament on 8 June 2020. Available at: <https://twitter.com/HuwMerriman/status/1270034390282899458/photo/1>; Unite the Union, [How is BA betraying Britain?](#), accessed on 10 June 2020

### **British Airways staff on the Job Retention Scheme**

67. Over half of all British Airways staff (22,000) have been furloughed as part of the CJRS.<sup>138</sup> Willie Walsh, Chief Executive of British Airways' parent group IAG, told us that British Airways had received close to £35 million from the CJRS as of 14 May.<sup>139</sup> The CJRS does not alter existing employment law, rights and obligations, which means companies can make employees redundant while they are on the scheme. This is stated clearly in the Government's guidance.<sup>140</sup>

68. The extension of the CJRS to October has not changed British Airways' timescale for consultation. Unions have criticised British Airways' decision to conduct the consultation while some of its staff are furloughed because it prevents them from engaging in meaningful consultation.<sup>141</sup> Mr Walsh told us that British Airways "would not pause the consultation" or put its plans on hold because "we must act now to secure the maximum number of jobs possible."<sup>142</sup>

### **British Airways' financial situation**

69. At the end of 2019 British Airways' profit after tax was £1.1 billion. The company also had cash reserves of £2.6 billion and £5.8 billion in shareholder equity.<sup>143</sup>

70. British Airways has received £300 million from the Bank of England, under the Covid-19 Corporate Financing Facility (CCFF).<sup>144</sup> Mr Walsh told us that, within IAG, decisions to apply for financial support are generally taken by individual companies, based on their specific financial requirements. He told us that "if IAG separately can access financing, we will do so, and that is something that we might look at". Neither British Airways nor IAG have to date approached the UK Government for a bespoke support package.

71. Unions have argued that British Airways could survive even if all its planes were grounded for one year, due to cash reserves and liquidity held by the company and IAG.<sup>145</sup> Mr Walsh told us it was difficult to predict how long the company could survive with planes grounded but cautioned of the dangers of taking on additional debt which "will make the future even more difficult for all the airlines in the group, given that that debt will have to be repaid".<sup>146</sup>

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138 Not including pilots; Q240

139 Letter from Willie Walsh, Chief Executive of International Airlines Group, to Huw Merriman MP, Chair of the Transport Committee, on 20 May 2020. Available at: <https://committees.parliament.uk/publications/1350/documents/12213/default/>

140 There are questions whether a decision to make someone on furlough redundant would constitute a fair dismissal, while the JRS remains in place: a legal decision in any case would consider the specific facts involved, such as the financial circumstances of the company at the time. [FAQs: Coronavirus Job Retention Scheme](#), CBP 8880, House of Commons Library, May 2020

141 [McCluskey: BA mass sackings "unlawful and immoral" and imperils the whole of UK aviation](#), Unite the Union press release, 29 April 2020; GMB, [Latest update from GMB at British Airways](#), 4 May 2020

142 Letter from Willie Walsh, Chief Executive of International Airlines Group, to Huw Merriman MP, Chair of the Transport Committee, on 13 May 2020. Available at <https://committees.parliament.uk/publications/1091/documents/9156/default/>

143 British Airways PLC, [Annual Report and Accounts: Year end 31 December 2019](#), March 2020

144 Q124

145 Unite the Union, [BA financial report - explained](#), May 2020; Syndex, [The impact of the Covid19 on the airline industry and a path to recovery](#), April 2020

146 Q128

72. We were also told that Iberia, another IAG airline, was planning to acquire Air Europa while British Airways was planning large-scale redundancies. Mr Walsh told us that it was Iberia, not IAG, that planned to acquire Air Europa and it had “nothing whatsoever to do with British Airways.”<sup>147</sup> In addition, there have been reports of IAG non-executive directors in March purchasing shares in the company worth hundreds of thousands of pounds, after the price dropped due to the coronavirus pandemic.<sup>148</sup>

### Reactions to the consultation

73. We received thousands of emails, letters and tweets from employees of British Airways who are concerned about their job security, or employment terms and conditions, following the company’s announcement.<sup>149</sup> Many hold deep reservations about the motivations behind the changes the airline is proposing (see box). We were told that the proposals under consultation—particularly for its cabin crew and pilots—resemble changes that have been features of previous industrial disputes between British Airways and its staff.<sup>150</sup>

#### Views of British Airways staff in written evidence

[Employee of 22 years]: “[British Airways] are using COVID19 as an opportunity to unnecessarily cut jobs, decimate working conditions and drastically reduce salaries.”

[Captain]: “It seems to us that our employer is using this crisis as an opportunity to ‘land grab’ further shares of the market and make efficiencies all with scant regard for its employees and their lives”<sup>151</sup>

[Cabin Service Director with 30 years of service]: “[British Airways]’ current approach risks obliterating the morale of the whole workforce and damaging the British Airways brand.”

[Cabin Crew]: “Throughout my employment I have been told by investors and CEOs that a factor of the mass profits made year after year by British Airways is down to its employees [...] This immoral greedy company must not be allowed to take advantage of hard working people at this fragile time.”

74. Unite the Union told us that British Airways staff have reported high rates of anxiety, depression and lack of sleep.<sup>152</sup> Unite told us that some employees who kept their jobs could lose between 55–70% of their income, as well as end up on poorer terms and conditions.<sup>153</sup>

75. BALPA has reportedly been in talks with the Royal Air Force about temporary secondments for British Airways pilots who could be made redundant.<sup>154</sup> Some British Airways pilots previously served in the military and British Airways has signed the Armed

147 Q120

148 [IAG directors buy on coronavirus crash](#), The Financial Times, 13 March 2020

149 [Committee publishes open letter to public](#), Transport Select Committee, 18 May 2020

150 [BA flight attendant comment](#), The Telegraph, 30 April 2020; [British Airways pilots vote to settle dispute over pay](#), The Guardian, 16 December 2020;

151 Anonymous (CIT 0089) para 10, Ms Susan Mayne (CIT 0096) para 2, John Hughes (CIT 0093) para 1 and 6, Benjamin Hanna (CIT 0057) para 4

152 Q202 [Ms Holland]

153 Q202 [Ms Holland]

154 [British Airways pilots could be seconded to the RAF for up to four years as airline faces struggle for survival in coronavirus lockdown](#), The Daily Mail, 12 May

Forces Covenant, which includes a commitment to support the employment of veterans “young and old”.<sup>155</sup> Such secondments would depend on British Airways’ willingness to allow pilots to return to the organisation.<sup>156</sup> Mr Walsh told us he was receptive to the idea but did not want to prejudice the consultation.<sup>157</sup> We note that such secondments could be a viable option to mitigate the impact of redundancies.

76. When we questioned Mr Walsh on 11 May, he repeatedly said that details of the proposed redundancies and changes were a matter for discussion with the unions. He said that the restructure, including the redundancies and terms and conditions, was “solely driven” by the fact that “we are now in the deepest downturn that the aviation industry has ever seen”.<sup>158</sup> He refuted the claim that British Airways and its parent company were exaggerating the problem in a subsequent letter to us.<sup>159</sup> However, he did not provide any reassurance that British Airways staff would have their pay, terms and conditions restored, should the company’s financial situation improve after the pandemic.<sup>160</sup>

77. For legacy reasons, British Airways hold the most lucrative slots at Heathrow Airport.<sup>161</sup> Some parliamentarians and trade unions have suggested that the Government review British Airways’ slot allocation in light of the redundancy plans. The slot allocation process is complex and governed by international rules, including at present the EU Slot Allocation Regulation. It would be difficult for the UK Government to directly intervene in the slot allocation of any one airline, given these global rules. There are circumstances where the Competition and Markets Authority could intervene and order the release of slots to other airlines should circumstances change (for example, were the Government to take a share in an airline or one airline to acquire another).<sup>162</sup>

78. The Minister for Aviation told us that she was aware of British Airways’ actions and was monitoring the situation. Although this was ultimately a matter for the company and its employees, the Minister said it was “not an ideal situation”.<sup>163</sup> She told the House on 3 June that she would not expect employers to “use the pandemic as a chance to [...] slash terms and conditions” and that “in crises such as this we would hope that all organisations that are taking such measures treat their employees with the social responsibility that one would expect”.<sup>164</sup>

79. When asked about British Airways at the Liaison Committee on 27 May, the Prime Minister said he was aware of the case, although he refused to comment on individual companies. However, he did make clear that “people should not be using furlough cynically to keep people on their books and then get rid of them. We want people back in jobs.”<sup>165</sup>

#### 80. Some redundancies at British Airways, as with other airlines, may be sadly

155 Ministry of Defence and British Airways PLC, [Armed Forces Covenant](#), September 2016

156 [British Airways pilots could be seconded to the RAF for up to four years as airline faces struggle for survival in coronavirus lockdown](#), The Daily Mail, 12 May

157 Q148-Q149

158 Q131, Q126

159 Letter from Willie Walsh, Chief Executive of International Airlines Group, to Huw Merriman MP, Chair of the Transport Committee, on 20 May 2020. Available at: <https://committees.parliament.uk/publications/1350/documents/12213/default/>

160 Q134

161 HC Deb, 3 June 2020, [col 847](#)

162 [Airport slots](#), Number CBP 488, House of Commons Library, June 2017

163 Q266

164 HC Deb, 3 June 2020, [cols 847–848](#)

165 Prime Minister Liaison Committee, HC Deb, 3 June 2020, [col 847](#)

inevitable in the current crisis. Having questioned the Chief Executive of British Airways' parent company and trade unions and received hundreds of submissions from British Airways employees, our view is that British Airways' current consultation on staffing changes is a calculated attempt to take advantage of the pandemic to cut jobs and weaken the terms and conditions of its remaining employees. The behaviour of British Airways and its parent company towards its employees is a national disgrace. It falls well below the standards we would expect from any employer, especially in light of the scale of taxpayer subsidy, at this time of national crisis.

81. *We urge British Airways to extend its consultation period to allow meaningful consultation to take place as per its legal requirements, and without pre-conditions, so that all parties can consider the proposed staffing changes in the context of the Government's plans to help the aviation sector restart and recover.*

82. The Government's Coronavirus Job Retention Scheme was designed to help businesses affected by the pandemic to retain jobs and protect the economy. Some companies, such as British Airways, have proceeded with plans for large-scale redundancies while taking advantage of the scheme. This is regrettable. *We recommend that the Government revise the rules of the Coronavirus Job Retention Scheme to prevent, or strongly penalise, companies for making large-scale redundancies, while in receipt of funds from the taxpayer.*

83. There have been calls from parliamentarians for the Government to strip British Airways from some of its slots, especially from Heathrow Airport where it is the dominant airline. Given the global nature of slot allocation rules, and international legislative restrictions, there are clear limits on what the UK Government can do. However, there has been considerable structural and market change within the aviation industry as a result of the pandemic, including the consolidation of airlines at specific airports. These changes may go on for years and could have serious impacts on consumer choice. *We recommend that the Department for Transport and the Civil Aviation Authority explore every avenue available to ensure that recent changes and their impact on the availability and distribution of airport slots do not unfairly impact passengers. This should include referring the whole aviation industry to the Competition and Markets Authority for a market study and possible investigation.*

## 6. Passenger refunds

### Regulatory background

84. Under EU regulation 261/2004 (referred to as EC261) customers who have made a flight-only booking are entitled to a full cash refund within seven days of the departure date of any flight cancelled by the airline.<sup>166</sup> The Civil Aviation Authority (CAA), the UK's aviation regulator, is responsible for enforcing this regulation.<sup>167</sup> Flight-only bookings are not ATOL (Air Travel Organiser's License) protected, meaning there is no protection in the event an airline ceases trading and is unable to pay a customer their refund.<sup>168</sup> Under the UK's Package Travel Regulations, customers who have booked package holidays are entitled to a full refund within 14 working days of cancellation if any part of a holiday, including flights, is cancelled.<sup>169</sup> This booking is ATOL-protected should the package holiday firm in question cease trading.

### Delays in issuing refunds

85. As described above, the collapse of air travel worldwide has taken an enormous financial toll on airlines and travel operators. Smaller numbers of staff available during the crisis—either due to self-isolation or because they have been furloughed—has further impeded the ability of companies to refund passengers in a timely manner. Willie Walsh, Chief Executive of IAG, told us about the unique challenges that British Airways was facing during the pandemic in operating its call centres and training new staff to process refunds, due to the impacts of social distancing and home working.<sup>170</sup>

86. Which? conducted research in late April 2020 that found that 20 of the UK's biggest airlines and package holiday providers were not meeting their legal obligations to provide refunds to customers within the statutory timeframes of seven days for flight-only bookings and 14 days for package holiday bookings.<sup>171</sup> As of 28 May 2020, only 5% of Ryanair passengers had received a refund within seven days and only 16% overall had been refunded. The equivalent figures for easyJet were 14% and 37%.<sup>172</sup> In a letter sent to us on 13 May 2020, Mr Walsh explained that British Airways had provided cash refunds on 921,000 tickets, while 47,400 refunds were still being processed.<sup>173</sup>

87. We received a considerable amount of written evidence from frustrated travellers and holidaymakers about airlines and travel companies failing to comply with refund regulations. In some cases, the inability to receive a refund had a significant impact on the individual's personal finances.<sup>174</sup> We also heard that some airlines had made it difficult

166 Commission Regulation [\(EC\) No. 261/2004](#)

167 CAA, [Delays and Cancellation](#), accessed May 2020; though it does not deal with the bulk of individual appeals - these are matters for Alternative Dispute Resolution (ADR) bodies

168 [ATOL](#) (Air Travel Organiser's Licence) is a UK financial protection scheme that protects most package holidays sold where businesses are based in the UK. If a travel business ceases trading, the ATOL scheme financially protects consumers who had booked holidays with the firm. CAA, ['About ATOL'](#), accessed 27 May 2020

169 *Coronavirus: holiday bookings*, [Number 8896](#), House of Commons Library, May 2020

170 [Qq182, Q185](#)

171 Which?, ['UK's biggest airlines and holiday providers breaking the law over cancellation refunds'](#), accessed 27 May 2020

172 Which?, ['The truth about Ryanair refunds. More than eight in 10 customers still waiting on money back for cancelled flights'](#), 03 June 2020

173 IAG, [Letter from Willie Walsh to the Transport Committee](#) (May 2020), page 1

174 Mr Gavin Hyde ([CIT 0012](#)), Mr David Tucker ([CIT 0025](#))

for passengers to claim a cash refund. Travel correspondent Simon Calder described his own problems in getting a refund: he was “appalled” at the behaviour of airlines whom he previously held in high regard.<sup>175</sup> British Airways and easyJet, for example, removed the online refund option from their websites at the start of the crisis and were diverting customers whose flights had been cancelled to a webpage where they could only obtain a voucher, with no option for a cash refund. The only way that passengers could obtain a cash refund was by phone. Mr Walsh told us that the reason the online refund section was removed from British Airways’ website was due to the inability of the system to deal with the volume of claims being made.<sup>176</sup>

88. The Association of British Travel Agents (ABTA) said it had made clear to its members to issue refunds to customers or issue time-limited Refund Credit Notices (RCNs) to guarantee them in the long-term.<sup>177</sup> Package travel operators TUI, Loveholidays and Travel Republic stopped offering refunds and began to only offer RCNs to customers, with time limits for payment varying from four weeks to a year. Lastminute.com had reportedly encouraged customers to accept vouchers with a potential fee levied on cash refunds.<sup>178</sup>

### What has happened to customers’ money?

89. In April 2020, ABTA estimated that UK package travel operators and airlines owed £6–7 billion in unpaid refunds to customers.<sup>179</sup> When asked what airlines were doing with this money, Simon Calder told us:

A lot of the money is residing with airlines. A typical tour operator will have paid up front to the airline to do the summer’s flying. The airline itself will be using that money to pay aircraft leases while the fleet is grounded and there is no extra money coming in [...] The cash goes all over the place, and ultimately it is the customer who is left wondering when they are going to get their money and where the heck it is.<sup>180</sup>

90. Airlines UK confirmed that airlines have “huge and very complex cost bases” that require them to pay for “fuel, staffing, leasing and marketing costs and depreciation of aircraft costs” throughout the year.<sup>181</sup> This meant that over recent months customers’ money has been used by airlines to cover these costs and is therefore not readily available for refunds. Some members of the public expressed frustration about how their money was being used. One customer awaiting a refund said that “customers’ money should not be used to fund the business, it should be ring fenced” and likened the system to a “Ponzi scheme”.<sup>182</sup> Airlines UK, however, told us they did not believe the business model of airlines was at fault and made reference to the conclusions of the Department for Transport’s Airline Insolvency Review, published in May 2019. That review did “not

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175 [Q50](#)

176 [Q179](#)

177 [Q52](#)

178 [Which?, ‘Should I accept a holiday company refund credit note or airline voucher? Do I have to?’](#), accessed 04 June 2020

179 ABTA, [‘ABTA urges Government to act now on holiday refunds to save jobs and protect billions of pounds of taxpayers’ money’](#), 05 June 2020

180 [Q61](#)

181 [Q103](#)

182 Mr Gavin Hyde ([CIT0012](#)) para 12, 15

consider there to be a strong case for setting up an additional layer of refund protection”, because protections were already available to passengers through credit and debit cards, ATOL-protected holidays, or travel insurance.<sup>183</sup>

91. **Many airlines and travel operators have failed to refund customers for package holidays and flights in a timely manner, in accordance with their legal obligations. This is an understandable source of frustration for many customers who have found the process for obtaining monetary refunds unnecessarily difficult. People under stress because of the pandemic have faced additional stress because of companies who have not refunded their money properly and promptly.**

92. **The airline and travel industries are faced with an unprecedented crisis in which they have been asked to refund billions of pounds worth of fares in a short period while also covering their extensive costs of operation. We recommend that before the Government brings forward its planned Airline Insolvency Bill, it consults on whether protections should be introduced for airline passengers in the event of pandemic or other extraordinary circumstances. Any changes should be incorporated into the Bill ideally before its introduction to Parliament or, failing that, during its parliamentary passage.**

## Refund credit notes and vouchers

93. Many airlines and travel operators have offered customers vouchers and Refund Credit Notes (RCNs) rather than cash refunds. We received written evidence from customers criticising the use of vouchers and RCNs rather than refunds which added to the financial stress caused by the pandemic.<sup>184</sup>

94. ABTA has recommended that their members issue RCNs to customers because a large proportion of the money paid to them by customers was being held by other companies such as airlines. This made it difficult to issue refunds within the 14 days as legally required. If the original booking was protected under the ATOL scheme, the RCN should provide the same protection.<sup>185</sup> However, ABTA criticised the CAA for not publicly clarifying that RCNs were legally protected, which had led to unnecessary confusion for customers:

We had verbal confirmation [from the CAA] that the existing terms of the ATOL scheme cover Refund Credit Notes. [...] It is really important that the CAA comes out and says that explicitly. We believe it is the case. Legal advice says it is the case. For whatever reason, the CAA has not said that. That means customers are not sure whether or not Refund Credit Notes are protected.<sup>186</sup>

ABTA warned that “if people lose confidence in Refund Credit Notes and everybody drives for cash now, [...] there will be a real problem in the travel industry [...] you will see a lot of travel companies fail”.<sup>187</sup>

95. Alternatively, many airlines and package travel operators have opted to issue vouchers, of varying value relative to the cost of cancelled flights or package holidays, to

183 Department for Transport, Airline Insolvency Review: Final Report, [800219](#), May 2019, p 17

184 Mr Gavin Hyde ([CIT0012](#)) para 4

185 ABTA, ‘[Coronavirus advice for customers](#)’, accessed 27 May 2020

186 [Q52](#)

187 [Q54](#)

their customers. These are not ATOL protected. Vouchers are distinct from RCNs in that they may not contain the original booking details and reference number and may relate to an amount different to that which was originally paid.<sup>188</sup> Airlines UK explained that part of the reasoning for airlines choosing to issue vouchers was that they do not have the capacity to promptly process refunds due to the current level of demand. Vouchers, therefore, presented an alternative which could be processed far quicker. Vouchers often offer “incentives” to customers, such as flights credits, that can sometimes result in them being of a higher value than the original booking.<sup>189</sup> ABTA was critical of airline vouchers and referred to them as “IOU”s with no legal protection if the airline ceases trading.<sup>190</sup>

96. **Airlines and travel operators have issued vouchers and credit notes as substitutes for cash refunds. Given that the viability of many airlines and package travel operators is sadly at risk due to the pandemic, the Government should provide reassurance to passengers by setting out clearly the circumstances under which a Refund Credit Note or a voucher issued by an airline is protected by the ATOL scheme.**

## Refund deadlines and CAA powers

97. Some organisations, such as ABTA and Airlines UK, have called for the Government to extend the EU legal requirements for package travel operators to issue refunds (14 days) and airlines to issue refunds for flight-only bookings (seven days).<sup>191</sup> In April 2020, Germany and the Netherlands suspended the seven-day refund requirement for airlines.<sup>192</sup> According to ABTA, by early May 2020 “more than ten” EU countries had adopted proposals to ensure the survival of their travel sectors, which “undermines claims by Ministers that this cannot be altered due to EU-derived law.”<sup>193</sup>

98. When we asked the Secretary of State for Transport on 25 March about any possible amendments to these rules in the UK, he stated that the Department was examining this issue with the CAA.<sup>194</sup> On 15 May, the CAA announced a review of “how airlines are handling refunds during the coronavirus pandemic” that would “consider if any action should be taken to ensure that consumer rights are protected.”<sup>195</sup> At the time of the publication of this report, this review was still ongoing.

99. Richard Moriarty, Chief Executive of the CAA, explained:

Part of our [review] is to understand whether they are doing everything possible to get that money back as soon as possible to the consumer, recognising [...] that many of them have been badly hit in terms of their trained staff with self-isolation, lockdown and not being able to access their offices [...]. Having said all of that, as the lockdown eases, we expect them to adapt and clear those backlogs as soon as possible.<sup>196</sup>

188 Which?, [‘The truth about Ryanair refunds. More than eight in 10 customers still waiting on money back for cancelled flights’](#), 03 June 2020

189 [Q99](#)

190 [Q51](#)

191 [Q101](#), ABTA, [Letter from Mark Tanzer to the Transport Committee](#) (20 May 2020), pg

192 [Germany sanctions airline refund vouchers](#), Travel Weekly, 9 April 2020

193 ABTA, [Letter from Mark Tanzer to the Transport Committee](#) (20 May 2020), page 2

194 Department for Transport ([CIT0001](#)) para 31

195 CAA, [‘UK Civil Aviation Authority reviewing airline refunds’](#), accessed 27 May 2020

196 [Q273](#)

100. Mr Moriarty also raised concerns about the effectiveness of the enforcement powers afforded to the CAA regarding refunds.<sup>197</sup> The CAA was unable to impose financial penalties on operators who do not meet their obligations and relied on the Enterprise Act 2002 to progress any action, unlike other regulators in the transport sector such as the Office of Rail and Road.<sup>198</sup> Mr Moriarty stated that enforcing its powers against airlines often required a “very expensive” court process that could take up to two years. The Minister told us that the Department was attempting to take a “pragmatic” view of enforcement, recognising both the difficulties that airlines were facing and the entitlement of customers to refunds.<sup>199</sup>

**101. The coronavirus pandemic has exposed weaknesses in the EU and UK regulations covering refunds for flights and package holidays. We have some sympathy with the view that the legal time limits for refunds should have been extended in the current circumstances, as occurred in some EU countries. *In responding to this Report, the Department should clarify why an extension to the legal deadlines for issuing refunds was not implemented in the UK.***

**102. We note the Civil Aviation Authority’s concerns that the exercise of its current powers in relation to refunds can be difficult and take too long. They are also unable to impose financial penalties on operators who do not meet their obligations, unlike other regulators in the transport sector. We welcome the CAA’s review into how airlines are handling refunds during the coronavirus pandemic and look forward to its publication. *We recommend that the Department and CAA conclude speedily a review of the CAA’s powers, to ensure that it can enforce the rights of passengers in an effective and timely way in future.***

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197 [Q274](#)

198 CAA, ‘[Enforcement and prosecutions](#)’, accessed 05 June 2020

199 [Q275](#)

## 7. A strategy for the recovery of the aviation sector

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103. Some four months have now passed since the impacts of the coronavirus outbreak began in the UK and the aviation sector. Giving evidence to us on 20 May, the Minister for Aviation told us that the Government was working with industry to understand better the challenges and “how we get planes back into the air”. The aim was to “get into a position where we have industry support for health measures, so that workers and consumers feel safe about flying, where we can get routes back up and running.” She stressed, however, that the full impact of the virus on the sector remained uncertain. The Department was having “regular weekly meetings” on the subject and “devising a strategy in order to come out of this”.<sup>200</sup>

104. Some industry witnesses were supportive of the engagement thus far with the Government. Airlines UK told us:

Like the airports, we have had weekly calls with the Aviation Minister, as a group of airlines. We are in very close and frequent contact with DfT. I sit on an industry association working group that meets the Business Secretary twice a week. I am also a member of the tourism council that meets the Tourism Minister on a weekly basis. We have had engagement as well with No. 10 and the Treasury. The engagement has been good, and I think the airports would agree, but the issue for our sector has always been that the Department for Transport is a mid-level Department, and the decisions around this kind of thing are taken by the Treasury.

105. The Department has created an Aviation Restart, Recovery, and Engagement Unit. As part of this, the Department has established an Aviation Restart and Recovery Steering Group, which is formed of representatives from across the sector, including airports, airlines and ground handlers, industry bodies and unions. Public information about the work of the group to date has been minimal. The Minister explained that the unit had thus far focussed on the “immediate crises”. It aimed to bring forward a programme “within four weeks”, or by mid June, that set out “clear messages, initially on the health measures”:

There are two stages we need to identify. There is the restart, which involves some of the immediate issues facing the sector and on which we need to get industry agreement. It has to work with all the stakeholders in that, and should sit alongside the recovery programme, where we look at some of the longer-term issues and measures in regard to the recovery of the sector, and ultimately growth.

The immediate focus at the moment in the restart will be on examining new standards for health and wellbeing across the customer journey and the measures needed to sustain and boost the sector. It will be ensuring that standards are also established at an international level [...] and that the proposals are fit for purpose.<sup>201</sup>

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200 Q 237

201 Q 233

106. Some witnesses criticised the Government, and particularly the Department for Transport, for perceived slow action, inadequately recognising the importance of the sector, and lacking a strategy. Mr Holland-Kaye said “it is not clear that the Government really understand the strategic role that aviation plays for the UK” in terms of rebooting the wider economy. He called on the Government to “take a lead” and “act quickly” to protect the sector and ensure its recovery.<sup>202</sup> Swissport was also critical:

Right now the Government do not have a coherent strategy towards aviation. Without a coherent strategy, there is not a fulcrum from which we can build, and if the Government remain asleep at the wheel, our competitors in other parts of Europe—France, Germany and elsewhere—will shoot past us as we head towards a car crash. If we go bust, it will take many years for the aviation sector, which is the pride of the European skies, to get back on its feet.<sup>203</sup>

107. Unite the Union likewise called for a “coherent strategy” but emphasised that this should be a collaborative effort between different partners within the industry. It said a recovery strategy must include regional connectivity and environmental and sustainability considerations.<sup>204</sup>

108. **The Department has set up an Aviation Restart, Recovery, and Engagement Unit and the Minister told us she is devising a strategy to help the sector recover. While these moves are necessary and welcome, we are concerned at the lack of detail and pace of action given the precarious situation facing many airlines and the wider implications for the economy. In our view, the Government’s strategy for the recovery of the aviation sector should be more developed given we are already some four months into the crisis.**

109. *We recommend that the Department for Transport, working with other Government departments, the devolved administrations and those within the industry, publishes a strategy for the restart and recovery of the aviation sector as soon as possible. This strategy must include details as to how the Department will rapidly restore passenger air travel and in particular set out plans to:*

- *minimise job losses in the sector while protecting pay, employee rights and health and safety standards;*
- *ensure passenger confidence with an internationally agreed standard of passenger health protection;*
- *minimise disruption and complexity for passengers;*
- *work on an international basis to re-examine the airport slot allocation process to ensure it encourages competition and connectivity;*
- *assess the economic impact of reduced passenger services on the transport of air freight and examine the viability of alternatives, such as increasing the number of dedicated freight planes;*

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202 Q 65 & 67

203 Q 223

204 Q 224

- *protect regional connectivity within the UK and international strategic trade links; and*
- *ensure the industry delivers its environmental obligations.*

110. *We request that the Department provide a progress report to this Committee by 1 July 2020 on its strategy for the restart and recovery of the aviation sector.*

111. *We recommend that, until the end of 2020, the Department commits to making a monthly written statement to Parliament, to update Members of both Houses on the work and key outcomes of the Aviation Restart, Recovery and Engagement Unit.*

## Conclusions and recommendations

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### Impact of the coronavirus pandemic on the aviation sector

1. **The aviation sector is of huge strategic and economic importance to the UK. The drastic reduction in air travel caused by the coronavirus pandemic has been devastating for the industry. Finding a proportionate way to steadily resume the number of flights while minimising the spread of coronavirus must be a priority for the UK Government. (Paragraph 15)**

### Quarantine and common health standards

2. **We are concerned about the Government's decision to introduce a blanket 14-day quarantine period for travellers to the UK from other countries. This will further damage both the recovery of the aviation sector and the wider economy. We are not persuaded that a blanket quarantine policy is the right policy option at this time compared to the alternatives. We support a more targeted and nuanced border control policy that would allow people travelling from countries where the infection rate of Covid-19 is relatively low to enter the UK on a less restrictive basis. (Paragraph 27)**
3. *In responding to this Report, the Government should clearly explain the reasons for its current quarantine policy and the evidence base it used to make its decision. (Paragraph 28)*
4. **The Government will be reassessing the quarantine policy in late June and it is right that preventing a second wave of the infection should be the utmost priority in determining next steps. *Should the conditions allow in late June, we strongly urge the Government to introduce a more flexible and risk-based approach to border control and people entering the UK.* (Paragraph 29)**
5. *In order to allow the UK aviation industry to plan ahead, the Government should urgently update Parliament with detail about the key milestones and conditions that will need to be met for the current quarantine policy to be revised and ultimately ended. (Paragraph 30)*
6. **Aviation is a global industry and there is a need for internationally agreed health standards to minimise the risk to both passengers and workers from Covid-19. *The UK has in the past led the way in the creation of global aviation standards and should do likewise for common health standards in light of the pandemic. In responding to this Report, the Government should set out what action it has taken at the international level to drive forward the development and implementation of global health standards for the aviation sector.* (Paragraph 34)**

### Government support and intervention

7. ***Given the gravity of the crisis in the aviation sector, we recommend that the UK Government implements support measures aimed specifically at the aviation sector in order to stimulate demand and protect businesses. In particular, we***

*recommend that the UK Government and the devolved administrations (where they have not already done so) introduce a 12-month business rates relief for airlines and airports and a six-month temporary suspension of Air Passenger Duty payments.* (Paragraph 47)

8. **Regional airports are vital to connect distant parts of the United Kingdom where no effective rail routes exist: Northern Ireland to Great Britain, and the UK's nations and regions directly to other countries. The collapse of Flybe in March has unfortunately severely contracted regional air options across the UK. The sector-specific support we have recommended in respect of taxes on the aviation industry could help insulate regional airports from cost pressures.** (Paragraph 55)
9. *We recommend the Department for Transport resume as a matter of urgency its review of regional connectivity with a view to publication by the end of 2020.* (Paragraph 56)

### Restructuring, redundancies and terms and conditions

10. **The loss of some jobs in the aviation sector may sadly be inevitable. But such fundamental decisions about people's livelihoods should not be made prematurely and until there is clearer information about the industry's recovery. We urge UK-based aviation employers not to proceed hastily with largescale redundancies or restructuring to terms or conditions of employees until the Job Retention Scheme ends in October 2020 and they have had the opportunity to consider the Government's plans to help the sector restart and recover.** (Paragraph 64)
11. **Some redundancies at British Airways, as with other airlines, may be sadly inevitable in the current crisis. Having questioned the Chief Executive of British Airways' parent company and trade unions and received hundreds of submissions from British Airways employees, our view is that British Airways' current consultation on staffing changes is a calculated attempt to take advantage of the pandemic to cut jobs and weaken the terms and conditions of its remaining employees. The behaviour of British Airways and its parent company towards its employees is a national disgrace. It falls well below the standards we would expect from any employer, especially in light of the scale of taxpayer subsidy, at this time of national crisis.** (Paragraph 80)
12. *We urge British Airways to extend its consultation period to allow meaningful consultation to take place as per its legal requirements, and without pre-conditions, so that all parties can consider the proposed staffing changes in the context of the Government's plans to help the aviation sector restart and recover.* (Paragraph 81)
13. **The Government's Coronavirus Job Retention Scheme was designed to help businesses affected by the pandemic to retain jobs and protect the economy. Some companies, such as British Airways, have proceeded with plans for large-scale redundancies while taking advantage of the scheme. This is regrettable. We recommend that the Government revise the rules of the Coronavirus Job Retention Scheme to prevent, or strongly penalise, companies for making large-scale redundancies, while in receipt of funds from the taxpayer.** (Paragraph 82)

14. **There have been calls from parliamentarians for the Government to strip British Airways from some of its slots, especially from Heathrow Airport where it is the dominant airline. Given the global nature of slot allocation rules, and international legislative restrictions, there are clear limits on what the UK Government can do. However, there has been considerable structural and market change within the aviation industry as a result of the pandemic, including the consolidation of airlines at specific airports. These changes may go on for years and could have serious impacts on consumer choice. *We recommend that the Department for Transport and the Civil Aviation Authority explore every avenue available to ensure that recent changes and their impact on the availability and distribution of airport slots do not unfairly impact passengers. This should include referring the whole aviation industry to the Competition and Markets Authority for a market study and possible investigation.* (Paragraph 83)**

### Passenger refunds

15. **Many airlines and travel operators have failed to refund customers for package holidays and flights in a timely manner, in accordance with their legal obligations. This is an understandable source of frustration for many customers who have found the process for obtaining monetary refunds unnecessarily difficult. People under stress because of the pandemic have faced additional stress because of companies who have not refunded their money properly and promptly. (Paragraph 91)**
16. **The airline and travel industries are faced with an unprecedented crisis in which they have been asked to refund billions of pounds worth of fares in a short period while also covering their extensive costs of operation. *We recommend that before the Government brings forward its planned Airline Insolvency Bill, it consults on whether protections should be introduced for airline passengers in the event of pandemic or other extraordinary circumstances. Any changes should be incorporated into the Bill ideally before its introduction to Parliament or, failing that, during its parliamentary passage.* (Paragraph 92)**
17. **Airlines and travel operators have issued vouchers and credit notes as substitutes for cash refunds. *Given that the viability of many airlines and package travel operators is sadly at risk due to the pandemic, the Government should provide reassurance to passengers by setting out clearly the circumstances under which a Refund Credit Note or a voucher issued by an airline is protected by the ATOL scheme.* (Paragraph 96)**
18. **The coronavirus pandemic has exposed weaknesses in the EU and UK regulations covering refunds for flights and package holidays. We have some sympathy with the view that the legal time limits for refunds should have been extended in the current circumstances, as occurred in some EU countries. *In responding to this Report, the Department should clarify why an extension to the legal deadlines for issuing refunds was not implemented in the UK.* (Paragraph 101)**
19. **We note the Civil Aviation Authority's concerns that the exercise of its current powers in relation to refunds can be difficult and take too long. They are also unable to impose financial penalties on operators who do not meet their obligations,**

unlike other regulators in the transport sector. We welcome the CAA's review into how airlines are handling refunds during the coronavirus pandemic and look forward to its publication. *We recommend that the Department and CAA conclude speedily a review of the CAA's powers, to ensure that it can enforce the rights of passengers in an effective and timely way in future.* (Paragraph 102)

### A strategy for the recovery of the aviation sector

20. The Department has set up an Aviation Restart, Recovery, and Engagement Unit and the Minister told us she is devising a strategy to help the sector recover. While these moves are necessary and welcome, we are concerned at the lack of detail and pace of action given the precarious situation facing many airlines and the wider implications for the economy. In our view, the Government's strategy for the recovery of the aviation sector should be more developed given we are already some four months into the crisis. (Paragraph 108)
21. *We recommend that the Department for Transport, working with other Government departments, the devolved administrations and those within the industry, publishes a strategy for the restart and recovery of the aviation sector as soon as possible. This strategy must include details as to how the Department will rapidly restore passenger air travel and in particular set out plans to:*
  - *minimise job losses in the sector while protecting pay, employee rights and health and safety standards;*
  - *ensure passenger confidence with an internationally agreed standard of passenger health protection;*
  - *minimise disruption and complexity for passengers;*
  - *work on an international basis to re-examine the airport slot allocation process to ensure it encourages competition and connectivity;*
  - *assess the economic impact of reduced passenger services on the transport of air freight and examine the viability of alternatives, such as increasing the number of dedicated freight planes;*
  - *protect regional connectivity within the UK and international strategic trade links; and*
  - *ensure the industry delivers its environmental obligations.*
  - *We request that the Department provide a progress report to this Committee by 1 July 2020 on its strategy for the restart and recovery of the aviation sector.* (Paragraph 109)
22. *We request that the Department provide a progress report to this Committee by 1 July 2020 on its strategy for the restart and recovery of the aviation sector.* (Paragraph 110)

23. ***We recommend that, until the end of 2020, the Department commits to making a monthly written statement to Parliament, to update Members of both Houses on the work and key outcomes of the Aviation Restart, Recovery and Engagement Unit.*** (Paragraph 111)

# Formal minutes

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**Wednesday 10 June 2020**

Members present:

Huw Merriman, in the Chair

Ruth Cadbury	Karl McCartney
Lilian Greenwood	Grahame Morris
Simon Jupp	Gavin Newlands
Robert Largan	Greg Smith
Chris Loder	Sam Tarry

Draft Report (*The impact of the coronavirus pandemic on the aviation sector*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 111 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Second Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 16 June at 3.00pm]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Tuesday 07 April 2020

**Baroness Vere of Norbiton**, Parliamentary Under-Secretary of State, Department for Transport; **Chris Heaton-Harris**, Minister of State, Department for Transport [Q1-47](#)

### Wednesday 06 May 2020

**Simon Calder**; **Mark Tanzer**, Chief Executive, ABTA - The Travel Association [Q48-61](#)

**John Holland-Kaye**, Chief Executive, Heathrow Airport Limited; **Debra Bowen Rees**, Vice Chair, Regional and Business Airport Group; **Karen Dee**, Chief Executive, Airport Operators Association [Q62-88](#)

**Tim Alderslade**, Chief Executive, Airlines UK [Q89-112](#)

### Monday 11 May 2020

**Willie Walsh**, Chief Executive, International Airlines Group [Q113-194](#)

### Wednesday 20 May 2020

**Diana Holland**, Assistant General Secretary for Transport, Unite the Union; **Brian Strutton**, General Secretary, British Air Line Pilots Association; **Jason Holt**, Chief Executive, Swissport UK [Q195-230](#)

**Kelly Tolhurst**, Parliamentary Under-Secretary of State, Department for Transport; **Richard Moriarty**, Chief Executive, Civil Aviation Authority; **Rannia Leontaridi**, Director of Aviation, Department for Transport [Q231-277](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CIT numbers are generated by the evidence processing system and so may not be complete.

- 1 ADS Group ([CIT0083](#))
- 2 Airlines UK ([CIT0024](#))
- 3 Airport Operators Association ([CIT0043](#))
- 4 Anonymous submitter ([CIT0089](#))
- 5 Arnold, Mr K ([CIT0053](#))
- 6 S Cotterill ([CIT0078](#))
- 7 Department for Transport ([CIT0001](#))
- 8 L Dobson ([CIT0092](#))
- 9 Hanna ([CIT0057](#))
- 10 Heathrow Airport ([CIT0155](#))
- 11 Heathrow ([CIT0042](#))
- 12 Hughes, Mr John ([CIT0093](#))
- 13 Hyde, Mr Gavin ([CIT0012](#))
- 14 Loganair ([CIT0017](#))
- 15 London Biggin Hill Airport ([CIT0073](#))
- 16 London First ([CIT0023](#))
- 17 Mayne, Ms Susan ([CIT0096](#))
- 18 Munro, Mr Angus ([CIT0076](#))
- 19 North West Business Leadership team ([CIT0023](#))
- 20 Prospect ([CIT0018](#))
- 21 Right to Refund ([CIT0071](#))
- 22 TSSA ([CIT0054](#))
- 23 Tucker, Mr David ([CIT0025](#))
- 24 Which? ([CIT0016](#))

## Correspondence

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The following correspondence can be viewed on the [inquiry publications page](#).

- 1 [Letter to the Secretary of State, Covid-19: Fair refunds for season ticket holders, 24-04-20](#)
- 2 [Letter from the Secretary of State, follow-up to 7 April evidence session and refunds for season ticket holders, 04-05-20](#)
- 3 [Letter from Tim Alderslade, CEO, Airlines UK, 6 May evidence session follow-up, 27-05-20](#)
- 4 [Letter from Mark Tanzer, Chief Executive, ABTA, 7 May evidence session follow-up, 07-05-20](#)
- 5 [Letter from Willie Walsh, Chief Executive Officer, International Airlines Group, follow-up to 11 May evidence session, 13-05-20](#)
- 6 [Letter from Willie Walsh, Chief Executive Officer, International Airlines Group, 11 May evidence session follow-up, 20-05-2020](#)
- 7 [Letter to Willie Walsh, Chief Executive Officer, International Airlines Group, 11 May evidence session follow-up, 20-05-20](#)
- 8 [Open letter to all who have responded to the committee's ongoing work on the implications of coronavirus on UK transport, 18-05-20](#)
- 9 [Letter from the Secretary of State, Health Protection Regulations 2020, 8-06-20](#)

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2019–21

First Special Report	Pavement parking: Government Response to the Committee's Thirteenth Report of Session 2017–19	HC 158
First Report	Appointment of the Chair of the Civil Aviation Authority (Pre-appointment hearing)	HC 354