



House of Commons
Transport Committee

**The impact of the
coronavirus pandemic
on the aviation sector:
Government and Civil
Aviation Authority
Responses to the
Committee's Second Report**

**Second Special Report of Session
2019–21**

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Transport Committee

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Second Special Report

The Transport Committee published its Second Report of Session 2019–21, *The impact of the coronavirus pandemic on the aviation sector* (HC 268) on 13 June 2020. The Government and Civil Aviation Authority responses were received on 13 August 2020 and are appended below.

Appendix 1: Government Response

1. The Government thanks the Transport Committee for its consideration of the impact of Covid-19 on the aviation sector and welcomes this opportunity to respond to their recommendations on this important issue.
2. The Covid-19 pandemic has been the biggest threat the UK has faced in decades, affecting everyone's lives and having a profound effect on the economy. In response, the Government has taken unprecedented actions to slow the spread of the virus, save lives and protect the NHS, while keeping people in work by supporting business with the most generous and comprehensive package of support globally, which thus far has totalled £160 billion. Since the Committee began its inquiry, these measures have extended to aviation with the publication of updated health guidelines and the introduction of "Travel Corridors" which will support the restart of the sector in a way which prioritises public health and is guided by the science.
3. The aviation sector is of national importance. Prior to the emergence of the Covid-19 pandemic, air transport contributed at least £14 billion to national GDP, and more than 130,000 direct jobs across the UK with air freight exports valuing £95 billion to non-EU countries in 2018.
4. While the process of recovery has now begun, many challenges remain. That is why, in addition to the economic support measures, the Government has established the Expert Steering Group to work with the aviation industry on the immediate issues around restarting the sector and its longer-term growth and recovery. The first product created by this Group was the aviation guidance, published on 11 June, which supports industry to reduce the risks of Covid-19 to workers and passengers, and will support passengers in travelling confidently by following the recommended measures to keep themselves and others safe.
5. The Expert Steering Group will guide our recovery strategy which will support not only the restart of the sector, but will drive the sustainable growth of the sector, creating high quality, skilled jobs across the UK that support the levelling-up of our economy and strengthen the Union. The Department aims to publish its aviation recovery plan, which will set out a strategy for recovery of the sector out to 2025, this Autumn.
6. We are already looking at the recovery of the sector in the context of the Government's green ambitions. Covid-19 has meant people have had to profoundly change the way they live, work and travel, and it is clearly sensible that our plans to reduce emissions look to understand and take account of this.

7. We have announced the formation of a new 'Jet Zero Council', which will bring together Government, industry and environmental groups to make net zero emission flights possible. There is a real determination within the industry to make this a part of the restart and ensure that the recovery is as environmentally sustainable as possible.

Impact of the coronavirus pandemic on the aviation sector

Recommendation 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)

8. The Government agrees with the Committee that the aviation sector is hugely important to the UK economy and recognises the devastating impact of the pandemic on the industry. We are fully committed to supporting and restarting the industry as it is vital to our future as a global trading nation as well as playing a critical role in local economies. As shown through the publication of the UK Public Health guidance and the introduction of Travel Corridors, the Government is taking the necessary steps to support the restart of flights while protecting the public and stopping the spread of Covid-19.

Quarantine and common health standards

Recommendation 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)

9. Throughout the Covid-19 outbreak, the Government has sought to bring in the right measures at the right time to protect the public, and has taken scientific advice.

10. During the contain phase, the Government introduced enhanced monitoring at the borders to identify symptomatic travellers from high-risk areas at an early stage and safely triage them into the health system. This was applied to those returning from Wuhan on 22 January and broadened to the whole of China on 25 January, Japan on 8 February, Iran on 25 February, Northern Italy on 4 March and the whole of Italy on 5 March.

11. Whilst there was significant transmission within the UK, the scientific advice was that border restrictions would have a marginal impact on the disease within the UK, as, at that point, imported cases contributed a tiny proportion of the number of new infections.

12. However, once domestic transmission within England began to reduce, imported cases of the virus posed a significant threat to our recovery. The Government subsequently

introduced temporary public health measures for international arrivals on 8 June in order to prevent new infections as a result of cases brought in from abroad creating a second wave of the virus in the UK. This included the requirement for all passengers arriving from outside the common travel area to self-isolate for a period of 14 days. A small number of sector-specific exemptions to the border health measures were put in place and remain under review.

13. The measures were set out in the Health Protection (Coronavirus, International Travel) (England) Regulations 2020. As with all Government Covid-19 measures, the Regulations are kept under regular review. As part of the first statutory review, the Joint Biosecurity Centre, in close consultation with Public Health England and the Chief Medical Officer, developed an approach to assessing the public health risk associated with inbound travel from specific countries and territories.

14. This categorisation informed the Government's decision, on 29 June, to establish Travel Corridors through which passengers travelling from certain countries and territories are exempt from the requirement to self-isolate when they arrive in England. Those who have visited or made a transit stop in any non-exempt country or territory within the 14 days preceding their arrival in England will be required to self-isolate for the remainder of the 14-day period since the day after they last left such a country or territory.

15. These measures came into effect on 10 July and apply to England only, however, the devolved administrations have taken similar steps. The list of exempt countries and territories remains under constant review.

16. The Government justifiably acted on a precautionary basis when it introduced the time-limited self-isolation requirements for arrivals from all countries outside the common travel area. The Government is keeping the measures under review and is taking a proportionate approach to restarting international travel in a safe and practical way to protect the health of the British public.

Recommendation 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)

17. The temporary public health measures for international arrivals, set out in the Health Protection (Coronavirus, International Travel) (England) Regulations were put in place to manage the risk of transmission of Covid-19 from imported cases.

18. As with all Government Covid-19 measures, the Regulations are kept under regular review. As part of the first statutory review, the Joint Biosecurity Centre, in close consultation with Public Health England and the Chief Medical Officer, developed an approach to assessing the public health risk associated with inbound travel from specific countries and territories.

19. The categorisation has been informed by an estimate of the proportion of the population that is currently infectious in each country, virus incidence rates, trends in incidence and deaths, transmission status and international epidemic intelligence as well as information on a country's testing capacity and an assessment of the quality of the data

available. Data has been used from official sources in each country and modelling by the London School of Hygiene and Tropical Medicine, as well as from Public Health England and the National Travel Health Network and Centre. Other data sources may be used in the future.

20. This categorisation informed the Government's decision that it is now safe to ease public health measures at the border and the Government has accordingly introduced Travel Corridors through which passengers travelling from certain countries and territories are exempt from the requirement to self-isolate when they arrive in England. The measures, however, remain a crucial part of the Government's plan to prevent a second wave of Covid-19 infections in the UK - anyone who has visited or made a transit stop in a country or territory that is not on the Travel Corridor list will still need to self-isolate until 14 days has elapsed, starting with the day after they last left such a country or territory, helping to reduce the risk of infection from imported cases and avoiding a second peak.

Recommendation 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)

Recommendation 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)

Response to Recommendations 4 and 5

21. On 29 June the Government confirmed that it would shortly begin to ease the health measures at the UK border, allowing passengers to be exempted from self-isolation requirements in certain circumstances on arrival in the UK. This would apply to people arriving on all forms of transport. On 6 July the Government set out plans in more detail to end the self-isolation requirement for arrivals from certain countries and territories into England, where the risk of importing Covid-19 is sufficiently low. These measures came into force on 10 July following amendments to the regulations. The list of country exemptions remains under review and the Government has added further countries to the list where it has been safe to do so.

22. Unless they have visited or made a transit stop in any other country or territory in the preceding 14 days, passengers arriving from the countries and territories published on gov.uk at the following link <https://www.gov.uk/guidance/coronavirus-covid-19-travel-corridors> will not be required to self-isolate on arrival in the UK.

23. The Government will keep the conditions in the countries and territories listed on gov.uk under review. If they worsen, we will not hesitate to reintroduce self-isolation

requirements. We review country exemptions weekly taking account of the changing health picture overseas. The regulations will also continue to be reviewed at least every four weeks.

24. The Government will continue to consider whether other policy options could be used to further ease self-isolation requirements such as testing at the border.

Recommendation 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)

25. The Government agrees on the importance of international standards, and the UK's aviation guidance for operators and safer air travel guidance for passengers (published on 11 June) reflects this approach. The UK has been working with a range of international partners to drive forward a shared agenda on public health and aviation through regular meetings and correspondence, including through the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference.

26. The UK is a member of the governing Council of ICAO and has played a leading role in the ICAO Civil Aviation Recovery Taskforce (CART), which was set up specifically to address the aviation industry's recovery from the crisis caused by the Covid-19 pandemic. The CART brings together states, industry and other UN agencies (including the World Health Organization) to develop global guidance, including on public health measures for aviation. Guidance for states and industry for the restart of international aviation was published by ICAO on 2 June and will be updated as necessary. The UK's aviation guidance for operators and safer air travel guidance for passengers are closely aligned with the CART guidance, and the UK will continue to drive the agenda on public health measures for aviation as the sector's recovery progresses and as the global health situation evolves.

Government support and intervention

Recommendation 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)

27. The Government has provided an unprecedented package of measures to support the UK economy. These measures include a Bank of England scheme for firms to raise capital, Time to Pay flexibilities with tax bills, financial support for employees and VAT deferrals.

28. The Civil Aviation Authority (CAA) has also worked with airlines and airports to provide flexibility within the regulatory framework to help manage and mitigate Covid-19 impacts where this is appropriate.

29. Beyond that many firms are getting support from established market mechanisms, such as existing shareholders, bank lending and commercial finance. A number of aviation businesses have taken advantage of the Government's corporate finance support including the Covid Corporate Financing Facility (CCFF) and the Coronavirus Business Interruption Loan Scheme (CBILS).

30. In exceptional circumstances, where a viable company has exhausted all options and its failure would disproportionately harm the economy, we have been clear to the aviation sector that we would consider support on a 'last resort' basis. Any such support would be on terms that protect the taxpayer. We will notify Parliament of any spend incurred or new liabilities as a result of any deal.

31. We continue to engage with businesses across the sector to understand the impact of Government's cross-economy support schemes and any challenges business may be facing in accessing those.

32. Air Passenger Duty (APD) is led by HM Treasury. The Department for Transport and HM Treasury are engaging closely with industry, through the Expert Steering Group, to understand their assessment of the outlook for the sector and implications of any sector specific support measures.

33. More broadly, the Chancellor has announced that there will be a consultation on aviation tax reform. As part of this consultation, the Government will consider the case for changing the APD treatment of domestic flights, such as reintroducing a return leg exemption, and for increasing the number of international distance bands. HM Treasury are keen to engage widely as part of this consultation, and would welcome input from businesses, individuals, trade and professional bodies and other interested parties.

34. The Department continues to discuss business rates with airports and is working with HM Treasury to consider the points they have raised.

Recommendation 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)

35. The Government recognises the impact Flybe's collapse and the subsequent Covid-19 constraints on services has had on regional airports, regional economies and connectivity across the UK. We are working with industry to identify where key routes are being re-established and we remain committed to supporting regional connectivity, recognising the importance of maintaining a thriving competitive aviation sector in the UK to deliver this. In May the Government announced a £5.7million funding package of measures, temporarily supporting two airlinks, from Belfast and Londonderry to London, and

associated airport services at City of Derry Airport and Belfast City Airport. The funding package ensured that lifeline connectivity services continued to both Belfast and Londonderry during the height of the Covid-19 pandemic.

36. The Government has provided an unprecedented package of measures to support the UK economy. These measures are open to businesses across the aviation sector and include a Bank of England scheme for firms to raise capital, Time to Pay flexibilities with tax bills, financial support for employees and VAT deferrals. In exceptional circumstances, where a viable company has exhausted all options and its failure would disproportionately harm the economy, the Government is prepared to enter discussions with individual companies seeking bespoke support as a last resort. Any intervention would need to represent value for money for taxpayers. We will continue to engage with stakeholders across the sector, including regional airports, to understand the situations they face.

37. Air Passenger Duty is led by HM Treasury. The Department for Transport and HM Treasury are engaging closely with industry, through the Expert Steering Group, to understand their assessment of the outlook for the sector and implications of any sector specific support measures.

Recommendation 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)

38. The Government remains committed to supporting regional connectivity across all transport modes, as well as the importance of maintaining a thriving competitive aviation sector in the UK to deliver connectivity. Regional connectivity will form a key strand of our recovery plan for the sector out to 2025. The plan, to be published in the Autumn, will be developed in consultation with industry, other Government departments and the devolved administrations.

39. The Department is working closely with industry through the Expert Steering Group to consider the most effective and deliverable interventions to support regional connectivity throughout the Union in both the short and medium term. Workstreams focusing on regional connectivity will continue beyond the publication of the Autumn recovery plan and is supported by a permanent team in the Department.

Restructuring, redundancies and terms and conditions

Recommendation 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)

40. The Government recognises that despite the measures we have put in place, there remain serious challenges for the aviation sector, and that the travel sector is under unprecedented strain. The announcements about redundancies by a number of airlines will be very distressing news for employees and their families.

41. We understand that companies will need to carefully consider their plans for the future and may face some difficult choices. However, redundancies are not something that should be considered lightly. If individual airlines find themselves having to look at this - as British Airways and others already are - then the Government hopes that they will do so sensitively and take account of the dedication and professionalism that their employees have shown.

42. We welcome the approach taken by some parts of the industry and their workforce to mitigate against redundancies through temporary salary sacrifice schemes, such as British Airways pilots who have opted for a Community Retention Scheme.

43. The Government recognises that the aviation sector is home to many highly skilled and highly trained staff, who are essential to the recovery and future growth of the sector, and it is our ambition to support these individuals where possible. For this reason, the Government will continue to work with the sector to understand the scale of the impact on the workforce as well as explore what can be done to retain skills within the sector. On Monday 27 July, we hosted a roundtable with industry partners to discuss potential solutions to manage talent and skills retention in the short term while continuing to support and invest in home-grown talent and skills in the medium and long term.

44. We will work with industry to maximise use of the existing support measures such as the Department for Work and Pension's Flexible Support Fund and Rapid Response Service to support aviation workers at risk of redundancy to stay in employment or move between sectors, and we are working with the Department for Education on potential support options to help retain existing and pre-recruited apprentices. We are also working with industry on options around facilitating skills retention and wider redeployment opportunities specifically for the aviation workforce, as well as career and skills development paths.

45. We recognise that the restart and recovery of the sector is essential to limiting job losses. As previously set out, we have already acted to ensure passengers can begin to travel safely by publishing aviation guidance and introducing travel corridors. Together with the industry, we are developing an aviation recovery plan due for publication in the Autumn, which will include details of the approach to the workforce and skills.

Recommendation 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)

46. The Covid-19 pandemic has brought considerable challenges to many businesses and the Government recognises that the aviation sector is under particular strain.

47. It remains the case that despite the measures we have put in place to support the recovery of the aviation sector and the wider economy, the impact of the Covid-19 pandemic will result in greater uncertainty over future demand, at least in the short/medium term. This has a knock-on effect on the operational requirements of airlines and airports.

48. At the onset of the pandemic, the Government put in place an unprecedented package of measures to protect jobs and incomes, including schemes to raise capital, flexibilities with tax bills, and financial support for employees. Despite these measures, there remain serious challenges for the aviation sector and its wider partners. Ultimately, private businesses will need to make their own decisions on how they adjust their businesses. However, the Government has been clear that employers should always treat employees fairly and in a spirit of partnership.

49. The British Airways' proposal to make up to 12,000 members of staff redundant will be very distressing news for British Airways employees and their families. Other airlines have also announced that they are considering significant redundancies. These are commercial decisions but they are decisions which, nevertheless, the Government profoundly regrets.

50. Redundancies are not something that should be considered lightly. If organisations find themselves having to consider taking this action, as British Airways and others are, the Government hopes that they will do so sensitively, acting within the requirements and spirit of all relevant legislation. The Government has encouraged airlines and unions to engage constructively with each other, and to strive to provide employees with as much certainty as possible during this challenging time.

51. The Government is also considering options to support skills retention in the sector, or support to find new employment, working with industry partners and the CAA. We are also working with the Department for Work and Pensions to make more support available for retraining and upskilling and other aspects needed to help with finding new employment, particularly in those regions which will see a higher impact.

Recommendation 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)

52. The Government has been clear that employers should always treat employees fairly and in a spirit of partnership. The Government has also encouraged British Airways and the unions to engage constructively with each other, and to strive to provide employees with as much certainty as possible during this challenging time.

53. There are a series of laws in place which dictate how redundancies have to be considered and the Government has done what it can to encourage both sides to sit down and negotiate, while calling on British Airways to be absolutely responsible in the way that they hire and treat their staff.

54. The Government continues an open dialogue with the sector as we work towards our shared ambition of getting aviation up and running again in a safe and secure way. The Expert Steering Group will help to ensure that measures are put in place to accelerate this.

Recommendation 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)

55. Companies across the aviation sector, including airlines, airports and ground handlers, have accessed the Coronavirus Job Retention Scheme since it opened for applications on 20 April. The scheme is a critical component of our financial support in protecting jobs and businesses through this crisis. The Chancellor has extended the scheme to October, with some changes being introduced in August.

56. In addition, on 8 July the Chancellor announced a job retention bonus as part of the Plan for Jobs. This plan encourages firms that keep their furloughed workers, introducing a one-off payment of £1,000 to UK employers for each furloughed employee who is still employed on 31 January 2021.

Recommendation 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)

57. The UK's independent slot coordinator, Airport Coordination Limited (ACL) is responsible for allocating slots at UK airports. The Government is legally prevented from intervening in the slot allocation process, however we want airport landing and take-off slots to be used as efficiently as possible for UK consumers.

58. The UK Government has been actively considering, for some time, whether there is a need to reform UK slots policy. This work will now need to take account of the impacts that Covid-19 has had on the industry, with the aim of ensuring that the slot allocation process encourages competition and provides the connectivity that UK consumers need.

59. The Department is currently working on a recovery plan for the sector out to 2025. The plan will be broad in scope and will consider the role of the slot system in rebuilding a competitive aviation sector – building on work to date, including the advice of the Competition and Markets Authority on the competition impacts of the slot allocation process. This will be developed in consultation with industry and colleagues across Government and the devolved administrations for an Autumn publication.

60. The Government welcomed the response taken by the European Commission to suspend the 80:20 slot usage rules for the summer 2020 season, due to the impacts Covid-19 had on demand in the aviation industry. The European Commission is considering whether an extension to this waiver is necessary for the winter 2020 season. They have stated a mid-September date for a review of the position. The Secretary of State wrote to the European Commission in July, asking them whether they could give an earlier indication of their intentions, to allow industry to plan for the next season, considering the balance of interests of the environment, all airlines and airports.

61. The Government continue to closely monitor the situation and remain open to further discussion with industry.

Passenger refunds

Recommendation 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)

62. Flight and holiday cancellations can be very distressing for those involved and even more so if people find themselves frustrated in securing the refunds they are owed. Whilst the Government is under no illusions about the challenges facing the travel and tourism sector at this time, their obligations to paying customers remain the same.

63. The Government has been clear that although refund credit notes can be offered in lieu of cancelled flights or holidays, consumers retain their legal right to a cash refund. Where a customer has asked for a refund that refund must be paid. The CAA is responsible for regulating airlines and airports and enforcing European Regulation 261/2004 in relation to air passenger rights and has been clear that airlines should not systematically deny consumers their right to a refund. On 1 July 2020 the CAA set out its intention to carry out a review into the refund policies of airlines during the Covid-19 pandemic. They reviewed the refund policies of all UK airlines, as well as a number of international airlines that operate flights to and from the UK.

64. The review is based on the CAAs own investigations, as well as information provided by consumers, social media, and consumer bodies including, but not limited to, the Competition and Markets Authority and Which?. The CAA's actions have led to airlines making commitments to improve performance without requiring formal enforcement action. In addition, quality of service and performance from most airlines has improved in response to bilateral engagement and the review, leading to refunds now being paid out faster. More detailed information can be found at: <https://www.caa.co.uk/News/UK-Civil-Aviation-Authority-reports-on-airline-refunds-review/>

65. The Government has recently announced that it will financially stand behind the Air Travel Trust Fund (ATTF). This will ensure insolvency protection is extended to cover vouchers that have been accepted by consumers who have had their package holiday cancelled. If there are any calls on the Fund due to these vouchers or insolvency of a package travel provider, Government will step in. The Government has agreed to this support provided that industry and the Regulator work with Government on future measures that will ensure the viability of these schemes and the Regulator's ability to enforce the obligations under consumer rights regulations.

66. The Government has been clear with industry that it expects the Regulator to act where businesses are continuing to take advantage of the current crisis.

Recommendation 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)

67. The Government welcomes the Committee's recommendation and recognises that a number of areas of the aviation sector will need to be considered in light of the impacts caused by the Covid-19 pandemic. It is clear that some of the existing arrangements and business or operating models have not been sustainable during the crisis.

68. This Government is keen to learn the lessons from the pandemic and work closely with the industry and consumers to ensure that the appropriate and workable protections can be implemented. However, the Government does recognise the challenge and difficulty to be able to consider protections to deal with every possible eventuality. The Government will consider what further measures may be necessary and, when sufficiently developed, will bring forward any legislative changes that are needed.

69. On airline insolvency, the priority has been to manage the Covid-19 response, as well as understanding the new market and what this means for an insolvency bill. The Government will be undertaking work shortly to understand the latest position on this legislation, and the associated timeframe. Before any legislation, the Government will undertake a full consultation with key groups, including airlines, airports, consumer groups and the travelling public.

Recommendation 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)

70. The Government is open to airlines offering incentives to passengers to fly at a later date, for example, through the use of vouchers, but the consumer retains their right to a refund if they do not wish to accept a voucher. Moreover, if a customer asks for a refund, that refund needs to be paid. We have been clear that this process should not be unduly difficult for consumers, and they should be processed in a timely manner.

71. The Government has always recognised the importance of providing clarity and assurances to both passengers and the industry of the protections that are in place.

72. After working through some of the complex issues in this area, the Department announced on 18 July that it has put in place arrangements to provide government support to the ATTF to ensure that it has access to sufficient funds to be able to continue to provide protections in the event of a failure of a travel operator in the ATOL scheme. We have also confirmed that protections will be in place for Refund Credit Notes offered in lieu of cancelled holidays that have a flight element in the package.

Recommendation 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)

73. The Government has been clear that it continues to champion consumer protection and makes no apologies for doing so. But it also recognises that the impact of Covid-19 on the national and international aviation sector has been unprecedented.

74. Throughout the crisis response we have looked to take a pragmatic approach and one which looks to benefit as many parties as possible. We recognise that other countries may have looked to extend or exempt specific legal requirements at this time which would of course provide benefits to the airlines or travel companies in terms of cashflow and liquidity but would have been more detrimental to the consumer.

75. The Government took the view that keeping the existing legal time periods would maintain the focus on airlines and travel companies to try and meet the requirements where it was possible to do so and with a pragmatic approach to enforcement would support the sector in looking to restart and recover from the impacts of the pandemic.

76. The UK Government has been following the work of the EU Commission and Member States. While many States have lobbied for changes to the consumer rights regulations, the

EU Commission has taken a firm stance that no change will be made to these regulations, but States should strive to put in place sufficient measures which balances protecting consumers and supporting industry.

77. The Government's measures to support consumers whose package holiday has been cancelled aligns with the EU's recommendations. The Government is ensuring that consumers financial position is protected, while making vouchers an attractive and viable option, which if taken up can support businesses with the liquidity challenge they are facing due to this pandemic.

Recommendation 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)

78. The Government recognises the importance of ensuring the aviation regulator has a range of enforcement options that enable it to regulate flexibly, proportionately and cost-effectively. The Government previously consulted on giving the CAA access to civil sanction powers for Air Navigation Order offences, enabling it to regulate aviation safety more flexibly. Going forward, the Government will work with the regulator, industry, and consumer groups to make changes that are practicable, deliverable, and in the interest of the consumer. As part of this work, we will be looking at the CAA's enforcement powers, and ensuring that it has the powers it needs to ensure businesses are compliant and consumers are protected.

A strategy for the recovery of the aviation sector

Recommendation 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)

79. The Government recognises the importance of both initialising a re-start plan for aviation, but also a strategy to provide a pathway for recovery for the sector in both the short and the medium term.

80. In addition to the unprecedented cross-economy package of support, which the aviation sector has utilised extensively, we have put in place several measures in response to Covid-19 to help the sector, including:

- ensuring connectivity between Northern Ireland and the rest of the United Kingdom;
- protecting consumers and supporting the sector by confirming we will stand behind the ATTF;
- supporting the industry through the national economic schemes such as the job retention scheme, helping employees through this difficult time;
- working with the CAA on regulatory easements during this unprecedented situation; and
- showcasing just how innovative the sector can be by supporting initiatives such as the Isle of Wight drone trials carrying supplies for the NHS.

81. Another key part of our recovery strategy has been the easing of health measures at the UK border through the development of travel corridors, which allow passengers to be exempted from self-isolation requirements in certain circumstances on arrival in the UK. These travel corridors will help protect jobs in the international transport and tourism sectors.

82. But we recognise the challenges to the sector in recovering from this unprecedented shock, and the great uncertainty the sector faces going forward. The Department is therefore developing a longer-term strategy for recovery of the sector out to 2025. The recovery plan will be broad in scope and is expected to cover:

- the return to growth of the sector;
- workforce and skills;
- regional connectivity and freight;
- innovation and regulation;
- consumer issues;
- climate change and decarbonisation;
- health, safety and security; and
- the critical role that UK aviation plays in retaining the UK's global reach.

83. The recovery plan will be developed in consultation with industry through the Expert Steering Group, other Government departments and the Devolved Administrations, and is expected to be published this Autumn.

Recommendation 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)

84. The Government is considering these issues as part of the development of the aviation recovery plan, as set out in our response to recommendation 20. The recovery plan will be developed in consultation with industry for an Autumn publication.

85. It is also important to note that the Government has already moved quickly to rebuild consumer confidence, collaborating with industry, unions, public health authorities and the devolved administrations to develop guidance for operators and passengers during the Covid-19 pandemic. This guidance was published on 11 June and is continually reviewed to ensure measures continue to be robust and relevant. The guidance will support industry to reduce the risks of Covid-19 to workers and passengers, and will support passengers in travelling confidently by following the recommended measures to keep themselves and others safe.

Recommendation 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)

86. The Secretary of State wrote to the Chair of the Committee on 1 July.

Recommendation 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)

87. The Government will continue to work on the recovery of the aviation sector as a matter of priority. The Government will advise Parliament on progress in due course.

Appendix 2: Civil Aviation Authority Response

Dear Chair and Committee members,

I would like to thank you again for the opportunity to provide oral evidence to the Committee's inquiry into the impact of the coronavirus pandemic on the UK's aviation sector.

While I recognise that the majority of the recommendations set out in the Committee's report were directed towards the Government, I wanted to write to you to provide a broad response on behalf of the UK Civil Aviation Authority (CAA), as well as responding to the two recommendations that are directed to the organisation (recommendations 14 and 19).

The CAA welcomes the Committee's inquiry and its recognition of the significance of the current pandemic on the aviation industry and its consumers. It is worth reiterating a point frequently made: that the scale of the crisis for the industry cannot be underestimated. Aviation has proven its resilience time and time again, but this is already proving to be a deeply challenging period and we should expect a long recovery.

We have been working closely with the Government and the industry since the initial phase of the pandemic. We have sought to act pragmatically and flexibly to the challenges faced by the industry, which includes providing alleviations and exemptions where possible so that licences and approvals can be maintained. In addition, we have paused the increase to our annual charges, and are keeping this under constant review. And we continue to collaborate closely with our international partners in finding solutions to the industry's challenges, reflecting the global nature of the sector. The CAA remains determined to play our full role in facilitating the industry's recovery, working closely alongside the Government.

It is not only the industry, however, that has suffered as a result of the pandemic. Consumers of aviation have been left facing considerable uncertainty, which has only been exacerbated by the challenges many of them have experienced in receiving a cash refund for cancelled flights. While I will address the matter of our enforcement powers later in this letter, I want to be absolutely clear with the Committee that consumers have the right to a cash refund where their flight has been cancelled.

When I provided oral evidence to the Committee in May, I mentioned that the CAA had launched a review into the refund policies and performances of airlines during the pandemic. We concluded this review in July.

At the start of our review, some airlines were not paying refunds, with others facing potential backlogs of numerous months. We now have evidence, however, that shows that as a result of our interventions through our review, all UK airlines are now paying refunds. Call centre wait times have reduced, in some cases significantly, and customer service messaging has provided greater clarity on consumers' rights to a refund for cancelled flights.

Unfortunately, our review found that a number of airlines were not performing adequately. Through our action and engagement, we have gained immediate commitments from

these airlines to improve their performance and the time taken to provide refunds to consumers, without requiring enforcement action. This is the most immediate way of providing benefits to consumers as enforcement processes can take a considerable amount of time to complete given the potential for legal proceedings. Should any airline fall short of the commitments they have made, we will not hesitate to take further action where required.

The Committee's report shines a light on these matters among many others, and I would like to thank you all again for this important contribution. I would now like to turn to the two recommendations that are directed to the CAA.

Recommendation 14

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.

The CAA has no role in allocating slots at UK airports, a responsibility that sits with Airport Coordination Limited (ACL). Ultimate responsibility for changes to the policy relating to slot allocation sits with the UK Government.

As an economic regulator with competition powers, however, we do have an interest in making sure the aviation industry and the markets that facilitate it work in the interest of consumers.

We will therefore support any work the Government chooses to do while developing its recovery plan for the aviation industry. We are working closely with the Government on the development of this plan in the lead up to its autumn publication and will continue to provide advice on these matters in our discussions.

Recommendation 19

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.

During the evidence I provided to the Committee, I was clear that the CAA's enforcement powers in relation to airline refunds are insufficient in supporting the speedy redress of non-compliance by airline operators.

Our powers derive from the Enterprise Act 2002, and give us the ability to request information from businesses, seek undertakings from the business and enforcement orders from the courts to stop an infringement. To do this, we have to go through a lengthy process, ultimately through the courts, to ensure compliance. Unlike other sectoral regulators, we cannot impose fines on businesses.

While we have used our powers extensively in the past, they are not well-suited to swift action and it can take a considerable period of time for a case to come before the courts. This leads to a period of time when a business may be able to continue breaching the

law without sanction. We believe improved powers will provide us with a more flexible enforcement toolkit to allow us to deal more effectively with a wide range of compliance issues.

The current Government has acknowledged the need to review these enforcement powers, and we will continue to work closely with them on this issue.

I do hope the Committee finds this useful. Should any Members of the Committee require any further information regarding the contents of this letter, or any other areas of our work, our dedicated Parliamentary team and I would be very happy to assist. Please do not hesitate to contact me directly or the team at parliamentary.relations@caa.co.uk.

Yours sincerely,

Richard Moriarty Chief Executive