



PRIVATE AND CONFIDENTIAL

**John Menzies plc**

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23 March 2020

Rt. Hon. Mel Stride MP  
C/O Treasury Select Committee  
House of Commons  
London  
SW1A 0AA

Dear Mr Stride,

### **John Menzies plc – the future of the UK aviation industry**

I write to you in response to the Treasury Committee's call for evidence on the Government's coronavirus financial package.

Last week I wrote to the Chancellor and Secretary of State for Transport on behalf of John Menzies plc, a major British provider of aviation ground handling services at airports across the UK, to request urgent financial assistance.

The significant impact of COVID-19 on our business means there is and will continue to be sustained pressure on our operations in the UK throughout the crisis period. I welcomed the Chancellor's announcement on support for the airlines and airports, but more can and needs to be done.

It is essential that the support outlined for other parts of aviation industry is expanded to include ground handlers. If not, planes will not be able to take off and depart from UK airports irrespective of any support measures granted to airlines and airports.

The services John Menzies plc provide through Menzies Aviation alongside others in our sector - including handling of cargo, passengers, luggage, de-icing, airplane clearing, fuelling and security - are essential to the operation of all UK airlines and airports

Given neither airlines nor airports can provide the services we deliver themselves, our individual or a sector wide collective failure would lead to the immediate grounding of flights and closure of all airports across the country, with significant economic consequences.

To support the maintenance of staff and continuation of our business and sector, we urgently sought access to emergency funding for John Menzies plc. Without urgent Government support, our business will be in peril, not only bringing the potential end to a historic Scottish company but also jeopardising the future of UK aviation. In addition, we also requested that the Government consider an Employers National Insurance holiday, a deferral of tax and NI payments until 2021 and the removal of business rates. A further request was that staff let go during this downturn be allowed retain their security clearances/certificates for a reasonable period to allow them to be redeployed quickly in future.

In normal times, we are a competitive and profitable businesses, but this period of severe disruption is leading to a cash-flow crisis which poses a direct threat to our survival. Our industry operates a low-margin model and we are generally paid on a per service basis, so where flights are grounded, our provision is cancelled, and our revenue cut off. Our latest estimate is that we will lose £300-400m in global revenue this year, the majority over the next few months.

Our main overheads are our labour force which account for 70% of expenditure. We have already been forced to pursue aggressive headcount reduction in recent weeks and with further stringent cost cutting measures, including cuts to senior management pay, we are confident we can cut costs by £250m this year. We operate in 36 countries at 202 airports with 32,000 employees and over 500 customers and estimate that between our 6,500 UK employees, Menzies contributes to HMT in excess of £38m in payroll taxes alone.

Once the crisis is over, the economic recovery will be driven by global travel and trade. Without the necessary infrastructure in place to cater for this surge in previously suppressed demand, that economic recovery will be constrained. The nature of the industry is such, that it takes up to three months to hire and train new staff. Therefore, the more staff that we let go now, the longer the economic recovery will take once this crisis has passed. Government funding to help support John Menzies plc today is an investment in an accelerated recovery in the months to come.

Ground handlers are not at present represented by the main UK airline or airport operators' industry associations. We have therefore not been included in any dialogue with the aviation sector held so far. At the critical point of failure, we urgently need to be brought into this dialogue going forward and be recipients of sector wide support measures. **Without us, regardless of the support to airlines and airports, the UK's skies will remain empty.**

I would greatly appreciate the chance to contribute in person to future evidence sessions.

Yours sincerely



**Giles Wilson**  
*Chief Executive Officer*  
John Menzies plc