

Written evidence submitted by Airlines UK

Response to the DCMS Committee Inquiry on the “Impact of COVID-19 on DCMS Sectors”

24 April 2020

Airlines UK is the trade association for UK airlines. Our members are 2Excel, British Airways, CargoLogicAir, DHL, easyJet, Jota Aviation, Jet2.com, Norwegian Air UK, Ryanair, TUI Airways, Titan Airways, Virgin Atlantic, and West Atlantic. Our Chief Executive, Tim Alderslade, is a member of the Government Tourism Industry Council.

We welcome the opportunity to submit evidence to the Digital, Culture, Media & Sport Committee inquiry into the “Impact of COVID-19 on DCMS Sectors”.

For direct relevance, **our submission will focus on the impact to tourism**, and in particular the UK aviation sector.

Context

- The aviation sector is a significant contributor to the UK economy supporting 4.5% of the UK’s GDP by inputs to the air transport sector and foreign tourists arriving by air¹
- It directly contributes to and supports some 1.6 million jobs across our nations and regions – including in the aerospace & tourism industry²
- Alongside this, inbound tourism in the UK contributes over £20 billion per annum³ and the UK aerospace industry contributes a further £20 billion.
- In 2018, over 75% of holiday visitors to the UK came by plane⁴
- The top five international tourist arrivals by country are from i) France ii) USA iii) Germany, iv) Ireland and v) Spain⁵

Questions

What has been the immediate impact of COVID-19 on the sector?

Aviation, as an international industry, has sat at the forefront of the economic impact of the COVID-19 crisis, affected by complicated networks of border closures, drops in passenger demand and the economic downturn.

¹ <https://www.iata.org/en/iata-repository/publications/economic-reports/united-kingdom--value-of-aviation/>

² <https://www.iata.org/en/iata-repository/publications/economic-reports/united-kingdom--value-of-aviation/>

³ https://www.tourismalliance.com/downloads/TA_408_435.pdf

⁴ IPS 2018

⁵ <https://www.iata.org/en/iata-repository/publications/economic-reports/united-kingdom--value-of-aviation/>

It would be no exaggeration to say that the impact of this crisis will, in the long term, be worse felt than that of the 2008 economic crisis, or the knock-on economic impact of 9/11. The projected economic fallout has changed week on week, with IATA's latest projection⁶ in April forecasting a drop in global airline passenger revenues by \$314 billion in 2020 – a 55% decline compared to 2019. The impact will be particularly acute for the UK, which IATA shows will be the worst revenue hit country in Europe⁷. This is as:

- the UK industry is facing a \$26.1bn revenue loss and over 660,000 jobs at risk
- the German industry is facing a \$17.9bn revenue loss
- the French industry is facing a \$14.3bn revenue loss

Indeed, just over the past month, we have seen a total collapse in demand for passenger travel, and businesses across the industry having to make some unprecedented decisions. Heathrow Airport, for example, is forecasting a 90% drop in passenger numbers for April and has taken the decision to close one of its two runways, and London City is closed until the end of this month. These are scenarios which in usual times would have been seen as impossible.

The impact for the airline industry is sharp, as whilst revenue has been all but eliminated, costs remain. These include leasing commitments, the need to maintain and insure aircraft, continued operational oversights and compliance, and also refunds on services cancelled amid a complicated network of border closures.

A recent *Centre for Cities* Report⁸ demonstrates the impact the crisis will also have for employment in individual communities. The research shows that the most vulnerable communities to the economic impact of COVID-19 are those with an aviation industry employing a sizable share of the workforce. Crawley and Luton are recognised as the most exposed towns, with over half of jobs in Crawley at risk of furloughing or being lost completely. This is to say nothing of the impact on the local tourism industries, from larger operators to local businesses on the high street.

Whilst we face this turbulent period, Airlines UK members will continue to work with Government on vital repatriation services to support citizens overseas, as well as supplying key air freight including PPE equipment to our NHS.

What will the likely long-term impacts of COVID-19 be on the sector, and what support is needed to deal with these?

With the prospects of a \$21.7bn revenue loss in the UK and international countries acting independently to support their industries through support measures, there are questions being asked around the future of a competitive UK airline industry, which is the third largest anywhere in the world following the United States and China.

Indeed, this issue is more acute as across the EU and globally, states have recognised the national importance of their airline industry, supporting them through this unprecedented period with bespoke packages. Notably, the U.S. has granted airlines access to \$58 billion in loans and payroll grants, Norway has suspended air passenger tax until 31 October, and France has provided a €700

⁶ <https://www.iata.org/en/pressroom/pr/2020-04-14-01/>

⁷ <https://www.iata.org/en/pressroom/pr/2020-04-23-03/>

⁸ <https://www.centreforcities.org/blog/what-does-the-covid-19-crisis-mean-for-the-economies-of-british-cities-and-large-towns/>

million tax aid to its airline sector. Yet, no bespoke package of support has been provided by the UK Government for UK aviation.

In a letter addressed to the aviation industry from the Chancellor on 17 March, it was suggested that the Transport Secretary would be willing to discuss further industry-wide measures of support for UK aviation and we hope this is still the case.

It is similar measures to these global examples of liquidity support, regulatory easing and the alleviation of costs which will be vital to sustaining the ongoing health and competitiveness of UK aviation and delivering a strong, nation-wide economic recovery to support vital trade and tourism. As an industry, we are asking for support measures including:

- An ongoing review of the Government furloughing scheme, acknowledging that some industries including aviation and tourism will take longer to recover than others. There is a danger that should the CJRS be withdrawn prematurely, carriers experiencing only a tentative revenue recovery will face a renewed cash crisis. We believe that the scheme will need to be extended beyond June, and that consideration should be given to measures – including a ‘tapering’ of the scheme or a review on a sectoral basis – to avoid aviation facing a cliff-edge post-June, whilst services are scaled-up.
- The suspension of new Air Passenger Duty payments for six months once the current crisis ends in order to stimulate demand.
- The waiving of ATC and CAA charges for the whole of 2020, with payments guaranteed by HMG.
- An extension of the business rate relief measures to include aviation, as the Scottish Government has done.

These measures will help support the restart of a future competitive UK aviation industry – vital to not only UK PLC as a whole, but also the regional tourism, investment and employment opportunities it presents in communities ranging from Cardiff to Belfast, Norwich to Aberdeen, as well as the consumer who can access the advantages of a competitive, thriving aviation market.