

Written evidence submitted by the Manchester Airports Group (AAS0003)

Executive Summary

MAG welcomes the opportunity to provide a submission to the Transport Select Committee's inquiry into supporting the recovery of the UK aviation sector.

International travel has been severely impacted by Covid-related restrictions

The COVID-19 pandemic has had a devastating impact on the aviation and travel sectors. During the initial phase of the pandemic and the subsequent two lockdowns that followed, international travel ground to a halt. The aviation industry has supported the UK Government throughout the pandemic in protecting public health and it understood that certain restrictions had to be put in place.

Government support has been very limited

Many travel and tourism businesses have suffered huge losses and burned cash reserves in the face of very limited support from the Government. For example, MAG recorded a total loss of £374m for the year ended 31 March 2021, with passenger numbers down 89% on 2019/20; and was losing approximately £30m in cash every month during the national lockdowns. Government financial support has helped to offset less than 15% of our costs during this period.

UK aviation has recovered more slowly than any other sector

Since January 2021, the UK, much of Europe and the United States have seen successful vaccine rollouts and significantly lower rates of hospitalisation and death. However, despite the UK's highly successful vaccination programme, it has fallen behind Europe and many other countries in relaxing travel restrictions accordingly. The latest passenger traffic statistics from ACI EUROPE show that in August, airport traffic in European airports (excl. UK) had recovered to 59% of pre-pandemic levels while the UK's airports saw only 30% of 2019 traffic. Throughout the summer, UK airport traffic has been consistently between one third and a half of European airport passenger numbers.

UK policies over the summer have restricted travel and damaged consumer confidence

Many businesses within the sector, MAG included, had hoped to trade their way to recovery during summer 2021. Instead, the industry was left grappling with an array of measures within the Government's 'traffic light system' that

were too often contradictory, confusing and coming adrift from the underpinning science. Moving forward, it is imperative that the Government learns from the experience of the last 18 months and makes sure it works collaboratively with industry to ensure a long term and sustainable recovery of the aviation industry.

Recently announced changes have come too late to rescue the summer

While the Government's recently announced changes to the 'traffic light system' will support further recovery, these changes have come far too late to provide the industry with a profitable summer period and will still leave travel to the UK more restricted than travel within Europe. We need urgently to understand the Government's pathway to removing travel restrictions altogether, as any form of paid-for testing will remain a barrier to the sector's recovery.

As demand grows again, the UK border needs to be properly resourced for recovery

The Committee is right to consider implications for the UK border and how this is best managed in a post pandemic world. As demand is starting to recover, passengers are starting to experience lengthy queues at the border because of e-gate availability and Border Force resourcing issues. We would like to see increased cooperation between Government, UK Border Force, airlines, and airports to plan the logistics and allocate the necessary resources for such increased demand.

UK aviation recovery is critical to getting the UK economy back to 'firing on all cylinders'

UK aviation is a crucial industry for jobs and the UK economy. As such, it has a vital role to play in both the Government's 'Levelling Up' and 'Global Britain' agendas. A fully recovered aviation sector can connect and spread opportunity across all the regions and nations of the UK, not just the South East. And the international connectivity supported at UK airports attracts and facilitates significant investment from global trading partners and will allow the UK to take advantage of export markets beyond the European Union.

Despite the significant damage caused by COVID-19, aviation continues to work strategically to develop solutions to decarbonise the industry by 2050. Through the industry wide body, Sustainable Aviation, we are committed to work collaboratively with the Government on key priorities for decarbonisation such as Sustainable Aviation Fuels, Airspace Modernisation, Market Based Mechanisms and the development of new alternative technologies such as electric and hydrogen powered aircraft.

Government needs a clear recovery plan to rebuild aviation's contribution to the economy

It is vital that steps are taken to secure the recovery of the aviation sector. Aviation is about much more than people going on holiday; aviation is a hugely important part of the economy and one that facilitates jobs, economic growth and increased connectivity throughout the United Kingdom. Our submission provides an assessment of the topics that the committee wishes to consider and gives policy recommendations that we believe will best secure the long-term recovery of our sector.

In summary, we believe that Government policy should focus on the following five priorities over the next six months:

- a. Improved collaboration and pragmatism between Government and industry, including increased transparency and openness to enable better planning and decision making
- b. Recognition of the need for further direct support and measures to accelerate recovery, including a concerted plan to rebuild consumer confidence through to summer 2022
- c. Demonstrating a clear policy intent to establish a new travel framework which restores free travel as soon as possible, with zero restrictions and costs as soon as it is safe
- d. Introduce a 'sunset clause' on UK travel restrictions in March 2022 so that any continuation of restrictions beyond that date would require fresh policy justification
- e. Engage positively and in detail about long term objectives and challenges including levelling up, international connectivity and aviation sustainability

Note: Due to the timing of the Government's announcement on international travel on Friday 17 September 2021, we have not yet had an opportunity to assess the implications of the new policy. We have proceeded with this submission to provide evidence on the issues with the regime of travel restrictions up to now. We will look to submit further evidence to the Committee in due course on our views on the latest changes.

1. Recovery of the UK aviation sector

Short Term Effects

- 1.1. COVID-19 and the resultant Government restrictions have had a devastating short term impact on the aviation sector. ONS data from June has identified aviation as the worst affected sector of the economy with activity still more than 90% down on pre-pandemic levels, compared to food and entertainment sectors which have seen a steady increase in business over recent months.
- 1.2. MAG recorded a total loss of £374m for the year ended 31 March 2021, with passenger numbers down 89% on 2019/20. These annual results are mirrored across other UK airports and show the true impact of what were the most difficult 12 months in our history.
- 1.3. During periods of lockdown MAG's cash reserves were being depleted at a rate of approximately £1m every day.
- 1.4. Like many aviation companies, MAG's 2021/22 business planning was predicated on the assumption that COVID-19 restrictions would be relaxed following the Government's successful vaccine rollout. Instead, these restrictions have persisted and MAG airports have seen significantly lower passenger volumes than predicted for this year. We had been planning on the basis of passenger traffic in 2021/22 reaching 40-50% of 2019/20 levels. However, the average number of passengers across our three airports between April and August 2021 as a percentage of 2019 volumes is just 12.4%.
- 1.5. There is no doubt that the current framework is holding back recovery of the entire sector. ACI-Europe data suggests that UK passenger traffic in August 2021 was still only 30% of pre-pandemic levels. By comparison, lower restrictions on travel within Europe meant that average passenger traffic levels at European airports were at 60%.

- 1.6. By continuing to apply the restrictions in place over the summer, the Government would have constrained passenger demand to around 30-40% of pre-pandemic traffic levels. Our initial analysis indicates that constraining international travel at 30% of 2019 levels will reduce economic value by £16bn per annum in terms of direct and indirect economic activity from the aviation sector, which is equivalent to c.£1.3bn per month. Reductions in taxes such as corporation tax, NI contributions, capital gains and Air Passenger Duty will mean the Exchequer will lose tax receipts of £8bn per annum, equivalent to £600m per month.
- 1.7. We are confident that the changes to the UK's travel regime announced on 17 September will support further recovery of international travel. However, the continuation of restrictions and additional costs beyond the summer season will prevent the full recovery of demand and leave the UK with a more restrictive framework than the rest of Europe.

Long Term Effects

- 1.8. MAG's forecasts are aligned with the wider industry in projecting that passenger travel will not recover for several years, 2024 at the very earliest.
- 1.9. This will mean that the pandemic will have resulted in significantly reduced activity for the sector for at least four years. In reality, individual businesses and stakeholders within the sector have had to make redundancies, close facilities and have delayed large scale capital expenditure programmes that could have made significant contributions to regional and national economies.
- 1.10. UK aviation is being held back even more so than other countries due to the Government's continued restrictions on international travel. The longer that this continues, the more damage (some irreparable) will be done to the sector and to the Government's 'Global Britain' and 'Levelling Up' agendas.

Aviation's Contribution to the UK Economy post pandemic

- 1.11. The aviation sector has incredible potential to assist the UK economy after the pandemic but to do so the UK Government must allow for the relaxation and eventual removal of restrictions on international travel. Without such action, the industry is limited in what it can achieve in terms of direct and indirect contributions to GDP, employment, tax revenue, and global and regional connectivity.

- 1.12. In addition to the lost economic activity outlined in 1.6, ONS data on the number of employees currently on furlough indicates there could be around 190,000 job losses in the aviation sector and supply chain if the CJRS is scrapped as planned at the end of September (in addition to the 30,000 jobs already lost so far) without a further recovery in demand.
- 1.13. There will also continue to be significantly less inbound tourism, which has already resulted in an estimated loss of £23bn to the UK economy since the beginning of the pandemic, and a recurring future loss of approximately £20bn per annum if traffic remained at only 30% of normal levels¹.
- 1.14. In the longer-term aviation has the potential to facilitate improvements in productivity outside of the sector. Connectivity offered by aviation reduces travel times and provides access to new markets whilst facilitating investments and transactions by UK businesses abroad. In addition, aviation encourages and facilitates direct inward investment, generating jobs and GDP. A 2005 study by Cooper and Smith suggests that a 10% increase in air transport usage results in a 1.6% increase in investment in the long term.²

Furlough

- 1.15. MAG made extensive use of the furlough scheme but, sadly, redundancies became unavoidable at all levels in the business when activity levels at our airports fell close to zero for extended periods. Employee costs account for 30% of MAG's operating costs. The Coronavirus Job Retention Scheme (CJRS) has provided support for roughly half of these employee costs.
- 1.16. MAG would like to see the Government extend the CJRS specifically for the aviation industry. This would clearly be justified on the basis that aviation is the only sector where Government restrictions continue to significantly inhibit businesses activity, as demonstrated by ONS sectoral recovery data.
- 1.17. As restrictions on international travel continue to ease, it will take time for demand to fully recover. The Government should therefore avoid a cliff-edge end of the furlough scheme at the end of September and should allow the scheme to continue for specific sectors into 2022.
- 1.18. Even assuming continued high furlough rates of around 50-75% in aviation, a targeted extension of the furlough scheme for the sector would limit the Government cost to supporting approximately 66,000 -

100,000 jobs. This represents a far smaller burden on the taxpayer than the full furlough scheme and would be focused on jobs that are fully viable after the pandemic but that are currently directly impacted by Government restrictions on travel.

- 1.19. If a sector-specific extension of the furlough scheme is not practically deliverable because of the way the scheme is administered, then the Government should consider equivalent alternatives to provide support to aviation businesses that protect employment while the sector is recovering. For example, this could follow a similar model to the Job Retention Bonus (which was superseded in October 2020 by an extension to the furlough scheme) whereby aviation employers are offered a grant payment for retaining jobs for a specified period.

Government Support

- 1.20. The amount of support provided specifically for the aviation sector has been extremely small when set against operating costs or against the support given to other sectors of the economy. The total support from the Airports and Ground Operators Support Scheme (AGOSS) so far has covered less than one month of the cash burn MAG experienced during the periods of national lockdown.
- 1.21. AGOSS provides grants of up to a maximum of £8m per airport in 2020/21, and a further £4m per airport for the first six months of 2021/22. This money is to cover airport fixed costs, and the calculation is based on airport business rates liabilities. MAG therefore received approximately £20m from the scheme in 2020/21 and expects to receive roughly half of that again in 2021/22.
- 1.22. While MAG is grateful for any such support, this capped amount is significantly less than our total business rates bill (which, for MAG's three airports, is more than £35m per annum). By comparison, other sectors such as retail and hospitality have received full rates relief in 2020/21 and the first three months of 2021/22, followed by two-thirds reduction in business rates for the remainder of 2021/22. MAG certainly sees the merits in the AGOSS scheme but for it to have a fair and measurable impact for larger airports, it needs to be reformed to remove the cap. Airports should be able to benefit fully relative to their size.
- 1.23. Before the pandemic, businesses would typically submit appeals to the Valuation Office to have their business rates liabilities amended to

reflect material changes in circumstance during the year. Many businesses had submitted such appeals because of the effects of COVID-19 restrictions on their trading. The Government has brought forward primary legislation to retrospectively block all COVID-19-related appeals of business rates and has said it will instead introduce a new rates relief fund worth £1.5bn to provide support for those businesses who need business rates support and haven't already had it directly from the Government.

- 1.24. MAG, like many businesses, had been assured they would receive some rebate via their appeals to the Valuation Office and we were planning on this basis. Despite various enquiries, MAG is still to hear back from MHCLG about the criteria for the distribution of the Business Rates Relief Fund. We would urge the Government to release this information to businesses as soon as possible to avoid further uncertainty. If the Business Rates Relief Fund is to be distributed by local authorities then each authority should be mandated to follow a transparent process for distribution and to publish its own specific criteria as soon as possible.
- 1.25. On 17 March 2020 the Chancellor of the Exchequer said that he was considering a “specific potential support package for airlines and airports”. The only sector specific support provided by the Government so far has been the AGOSS scheme which, as discussed, does not go far enough. We would encourage the Government to consider the full extent of the damage that COVID-19 restrictions have had on the aviation industry and provide a more targeted package of support. Other governments, notably the German and Belgian governments, have provided substantial support and compensation to their airports to offset the losses they have experienced as a result of COVID-19. UK aviation is already lagging behind much of Europe and the USA in terms of recovery and it is of vital importance that the Government looks to provide some kind of equivalent support so that we do not fall further behind.
- 1.26. This support should include both support for high fixed costs as well as measures to incentivise the recovery of connectivity and passenger demand, such as a temporary suspension of Air Passenger Duty (APD) to ensure competitiveness of the UK compared to European destinations as travel markets recover, and tax relief on the costs passengers need to pay to meet testing requirements. Without this package of support, the Government risks jeopardising UK global connectivity, and with regards to Manchester Airport in particular, its levelling up agenda in the North of England.

2. The Traffic Light System for International Travel

- 2.1. Throughout the pandemic, the aviation industry has had serious concerns about the Government's approach to international travel restrictions – so much so that aviation businesses have brought Judicial Reviews against the Government on multiple occasions. MAG's concerns can be grouped broadly under three headings:
- Inconsistency with domestic approach
 - Inconsistency of the system itself
 - Engagement and transparency

Inconsistency with domestic approach

- 2.2. The Government has always approached international travel independently of domestic restrictions. When the Prime Minister announced his roadmap out of COVID-19 restrictions on 22 February 2021, international travel was handled entirely separately (via a new iteration of the Global Travel Taskforce) and with a separate timeline for reopening. Where every other part of UK society has had restrictions eased based on the success of the vaccine rollout, case/variant rates, hospitalisations and deaths, international travel has been judged on a different – and often unclear – set of measures.
- 2.3. The primary justifications for this separate approach have been the threats of importing COVID-19 cases to the UK; and of importing new, concerning COVID-19 variants which could potentially escape the vaccine.
- 2.4. The first of these justifications is no longer valid because the UK has essentially stopped seeking to control case rates domestically following the proven efficacy of the vaccines in reducing hospitalisations and deaths. The second (the threat of new variants) has never been backed up with transparent evidence of the size of this risk and the effectiveness of travel restrictions as a risk mitigation; of the four primary COVID-19 variants which have emerged over the course of the pandemic, one arose in the UK itself, two have been outcompeted and are no longer of concern, and one (the Delta variant) has become the dominant variant across Europe despite widespread restrictions on travel.
- 2.5. **The Government has maintained that international travel must be subject to controls over and above domestic restrictions but has not set out the evidence for this.**

Inconsistency of the system itself

- 2.6. The Global Travel Taskforce published its report on 9 April and the new 'traffic light' system came into effect from 17 May. However, the implementation of the system was inconsistent, confusing and unpredictable. This undoubtedly had a detrimental effect on passenger confidence and the demand for international travel.
- 2.7. The Government's framework had no published or discernible metrics or determining criteria for placing countries in particular categories. Furthermore, country reviews took place every three weeks but the timing and means of announcing these reviews changed with each cycle. Passengers and industry were therefore unclear when a country might change categories. For example,
- On 3 June it was announced that Portugal would be moved from the green category to the amber category on 8 June, only three weeks after the traffic light system was launched and when the publicly available data on the virus in Portugal had not changed significantly from the initial traffic light list allocations in May. Such a swift and unexpected change gave passengers, airlines, and airports little time to prepare and had a severe impact on consumer confidence.
 - From 19 July, fully vaccinated UK residents arriving in England from amber travel list destinations no longer had to quarantine and only needed to take a single PCR test – but this exemption did not apply to France, in a category of its own. This decision did not abide by the Government's own framework and had no clear rationale, with several Ministers publicly disagreeing on whether it was based on sequencing data from Reunion or the French mainland. This growing complexity of the system and the obvious internal confusion within Government reduced confidence even further.
- 2.8. **During a summer when the aviation and travel industries were expecting to be able to trade their way to recovery, it was exceptionally frustrating to see the "Traffic Light System" implemented with such inconsistency and little adherence to the initial principles of the Global Travel Taskforce.**

Engagement and transparency

- 2.9. The Global Travel Taskforce was set up to consult with the aviation and travel industry to develop a framework of restrictions to be used for international travel from 17 May. However, despite several engagement meetings with industry, the Government has not provided any transparency of its decision-making around international travel restrictions.
- 2.10. This frustration has grown significantly over time, compounded by repeated media leaks and speculation in advance of any warnings to industry of upcoming decisions alongside the rejection of industry requests to see the metrics being used to determine countries' categorisations.
- 2.11. These issues culminated in MAG and several industry partners bringing a legal case against the Government in June 2021 seeking to force greater transparency. While the High Court ruled in the Government's favour that it was not obliged to provide this transparency, we still feel there is a clear case for the Government doing so regardless of its legal obligations, on the basis that would strengthen consumer confidence and improve the ability of the industry to plan ahead and mitigate the impact associated with the pandemic.
- 2.12. **If the Government is going to continue to maintain wide-ranging controls on international travel, it should adopt a much more transparent and collaborative approach to how these policies are developed and communicated so that their impact is kept to an absolute minimum.**

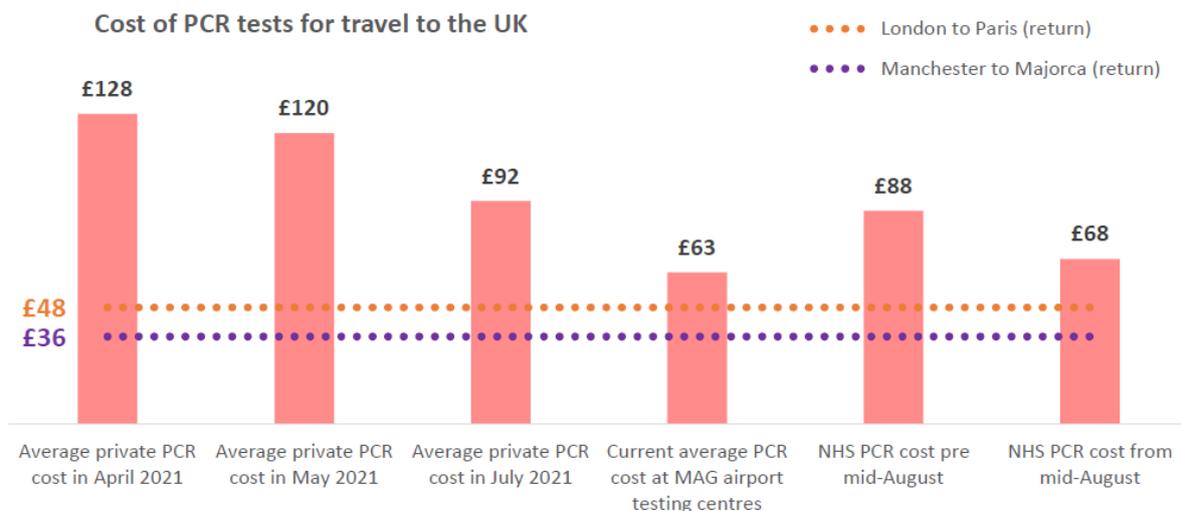
3. The cost of international travel

Price and effect on demand of PCR and antigen testing in the UK

- 3.1. In the initial phase of the pandemic, international travel testing was used to identify and isolate positive cases of COVID-19 to prevent them seeding community transmission in the UK. The successful vaccine rollouts across the globe mean that this is no longer the aim of testing arriving passengers. PCR testing is now being conducted primarily to avoid variant incursion and onward transmission of new variants of COVID-19 in the UK.
- 3.2. In April, MAG wrote to the Government to outline the true cost of testing. A reasonable recovery potentially would have seen 30 million

passengers arriving in the UK between June and October 2021. This would have required a minimum of 30 million PCR tests. Based on typical contemporary prevalence levels in Europe and the rest of the world, we could reasonably have expected COVID-19 prevalence among these 30 million arrivals of approximately 0.19%. These 30 million tests would therefore return just under 60,000 positive results for sequencing. These 60,000 samples for sequencing would come at the cost of approximately £1.8 - 3.6bn, based on a PCR test cost of between £60 and £120. This would translate to an average spend per positive PCR test of around £45,000.

- 3.3. Despite large growth in the private testing market since ‘Test to Release’ was introduced in November 2020, typical PCR test prices have not fallen substantially and still significantly exceed the average air fares to key travel markets. These costs are prohibitive at worst and discouraging at best. We understand from testing providers that the base costs associated with PCR testing mean prices cannot be reduced significantly with current technology. At the same time, the number of positive results being sequenced for variants has fallen in both relative and absolute terms.
- 3.4. The shift in testing requirements to instead require lateral flow (with confirmatory PCR) for fully vaccinated arrivals from non-red countries is an improvement but as long as passengers are still required to pay for extra testing, this will suppress demand. The cost of a lateral flow is approximately half that of a PCR test (£30-40 per test) and is therefore still highly significant in the overall cost of travel for most people.



Sources: ABTA analysis in April; *Independent* reporting in May, Admiral analysis in July, MAG latest test pricing, NHS latest test pricing, Skyscanner air fares for a return trip 31 August to 6 September

Cost and effectiveness of hotel quarantine in the UK

- 3.5. We believe that the current cost of £2,285 for one adult to stay in a Managed Quarantine hotel for 10 days (as well as the negative experience itself) is prohibitive enough to limit direct travel from red list countries to safe levels.
- 3.6. MAG does not currently operate a designated Managed Quarantine port for direct red list flights and so processes only a limited number of red list passengers, primarily those with exemptions or who have arrived at one of our airports without realising they are required to fly into a designated port.
- 3.7. MAG has experienced high levels of compliance and UK Border Force (UKBF) have rarely had to process passengers that have not self-declared as red list passengers.

4. Border readiness

- 4.1. The pandemic has presented significant challenges for both MAG and UKBF including the implementation of Government restrictions on international travel, the rollout of E-gate upgrades to recognise Passenger Locator Forms, and accurate forecasting of resourcing needs ahead-of-time so that queues do not build up.
- 4.2. Much of the initial slow processing at the UK Border was driven by a Government requirement for UKBF officers to check all COVID-19 health documents for all passengers, even though airlines had already checked these documents when checking-in passengers. This was eventually recognised as a disproportionate response to the public health risk posed by arriving passengers, and we strongly welcome that a more typical enforcement approach has now been adopted whereby UKBF check documents in a more targeted fashion alongside Civil Aviation Authority inspections to ensure airlines are fulfilling their obligations to check all passengers' documentation before travel.
- 4.3. MAG has worked closely with senior representatives from UKBF over the last five months to track demand trends and work together to put in place appropriate resourcing plans. After initial concerns about border readiness, we have been very encouraged by the collaboration shown by UKBF colleagues in responding to these challenges. MAG did not experience significant border queueing at any of its airports over the summer while traffic levels were less than 20% of 2019 levels.

- 4.4. However, this performance was achieved against a backdrop of significantly reduced passenger throughput. In recent weeks, MAG has seen larger queues and increased waiting times for several reasons including large volumes of returning student passengers, limited UKBF resourcing and malfunctioning E-gates. On a number of occasions, passengers have had to queue for several hours to get through the UK Border.
- 4.5. We would encourage the Government to ensure that UKBF are appropriately resourced and maintain an open dialogue with airports and airlines to ensure that they are prepared for growing passenger numbers in the coming months. To provide support for further recovery, it is critical that passengers have a positive perception of service levels at the UK border.

5. Regional and global connectivity

- 5.1. Increased connectivity adds significant value to all regions of the UK while enabling the country as a whole to trade competitively in an ever more globalised economy.
- 5.2. In 2019, nearly 20 million people flew from one nation of the UK to another, including to give onward access to global destinations that would not otherwise be reachable from some parts of the union.
- 5.3. Manchester Airport plays a key role in this regard, with Wales and Scotland within its road and rail catchment area, and offers unrivalled capacity for all parts of the Union to interconnect – in 2019, over 300,000 UK passengers connected at Manchester to 670 destinations; around half of these passengers were travelling to other UK destinations.
- 5.4. Air remains the quickest way to travel between many of the Union's main cities and while HS2 will improve connectivity, completion of the railway remains more than a decade away and for the most distant parts of the union, and especially the islands, air will remain the fastest means of connection.
- 5.5. The economic benefits of access to international markets are well proven. For example, in the two years following the launch of routes from Manchester to China export values from Manchester Airport to China grew 41% to £1.29bn and Manchester Airport's share of UK exports to China doubled to 11.5% when compared to the two years prior to route launch.³

- 5.6. Pre-pandemic, London Stansted served over 200 destinations, enjoying an expansive European route network unrivalled in the UK and providing London with more visitors from Europe than any other airport.
- 5.7. East Midlands Airport is the UK's largest dedicated air cargo operation, and number one for express freight. It is also applying to become a freeport, serving to facilitate additional global trade for companies investing in the region. The airport handles over 440,000 tonnes of goods each year, serving as a hub for major companies such as DHL, UPS, FedEx and Royal Mail.
- 5.8. It is essential that the Government provides the best possible policy backdrop for UK airports to recover the connectivity they had secured before the pandemic, in what will be a highly competitive environment. In that context, the high rate of APD in the UK in comparison with other countries poses a significant risk to the UK's connectivity.
- 5.9. The UK's APD rate means that airlines continue to see lower profitability from UK routes, making them uncompetitive. This has been a concern of the aviation sector for many years but the risk is now particularly acute as we emerge from the COVID-19 pandemic and airlines are forced to re-evaluate many of their old routes and given the opportunity to reconfigure large parts of their network. The potential for route reconfiguration means there is a heightened risk that the UK will face a significant permanent loss of connectivity that has taken decades to establish and on which the UK's future relies. Ryanair's recent announcement that it will cease all flights from both Belfast International Airport and Belfast City airport is testament to this.
- 5.10. Furthermore, the double-charging of APD on domestic routes poses a major barrier to the viability of strong aviation links between the nations and regions of the UK. Adding £26 to the cost of a domestic return trip immediately erodes most or all the commercial viability of operating such a route, preventing connectivity between UK regions where surface access is slow or impossible but where there is not the appetite for a Public Service Obligation (PSO) route to be set up.
- 5.11. The Government should therefore look at both temporarily suspending APD on international routes to incentivise the recovery of UK connectivity (see paragraph 1.24) and permanently removing the double-charging of APD on domestic routes.

6. Sustainability

The aviation sector's progress on reducing emissions to support the Government's aim to achieve net zero greenhouse gas emissions by 2050

- 6.1. MAG is a founding member of Sustainable Aviation. Bringing together a membership which represents all parts of the UK aviation industry, Sustainable Aviation provides a platform through which, last year, the UK Aviation industry became the first in the world to pledge to meet the target of net zero emissions by 2050⁴. This pledge was accompanied by a detailed Decarbonisation Road-Map⁵ which includes an extensive evidence base drawn from the detailed technical knowledge of Sustainable Aviation's membership.
- 6.2. In June this year, Sustainable Aviation published interim carbon targets that built on the Decarbonisation Road Map. The UK aviation industry is now aiming to achieve at least an overall 15% reduction in net emissions relative to 2019 by 2030, a 40% net reduction by 2040 and net zero by 2050.
- 6.3. The measures that can decarbonise aviation are the same for both domestic and international flying, these include better use of airspace; the introduction of more efficient aircraft; the progressive development and introduction of new forms of propulsion, the use of Sustainable Aviation Fuel (SAF), 'out of sector' savings using permanent carbon removals and market-based measures.
- 6.4. We support the targets proposed in the Government's recent Jet Zero Consultation for reaching net zero domestic aviation by 2040. Current estimates suggest that, by 2040, small zero emission aircraft are likely to be available, the production of SAF at commercial scale will be building, and carbon removal technologies will be maturing. We believe that the 2040 target is challenging but support its adoption. Whilst domestic flying constitutes a relatively small proportion of aviation's emissions, we believe that a 2040 target provide an additional signal, building momentum and sending a clear message to stakeholders.
- 6.5. As a member of the Jet Zero Council, we believe this group to be both an important and productive forum for industry/Government engagement. We are keen to see the Jet Zero Council remain a forum to bring together Government, including cross-departmental representation, with industry to accelerate aviation decarbonisation. In particular, we

urge the Government to use the Jet Zero Council to further the programme of work relating to SAF. The Jet Zero Council should continue to partner with producers and investors to explore the policy options and most appropriate solutions. We are also keen for the Jet Zero Council to establish working groups to cover all areas of the Jet Zero Strategy, especially work on carbon removals.

Maintaining a competitive UK aviation sector while ensuring the UK can achieve net zero greenhouse gas emissions by 2050

- 6.6. The UK aviation sector has made clear its world-leading commitment to decarbonisation, but the devastating impact of the COVID-19 pandemic on the finances of the aviation industry means that many airports have very limited resources and need the Government to help drive the decarbonisation of aviation while remaining competitive with airports and airlines elsewhere in the world.
- 6.7. The Government has so far offered some limited support for airspace modernisation and whilst it has enabled larger airports to remobilise their airspace change programmes, smaller airports find it more difficult to remobilise complex projects and so have been less able to benefit from funding and progress airspace change during 2021/22.
- 6.8. The principal barriers to the production of SAF in the UK are cost and risk. Whilst there are now a small number of SAF developments in the UK, including Fulcrum Bioenergy's NorthPoint project in the northwest, there remains a need for Government to support developers in attracting investment and overcoming 'first of a kind' risks. The Government has a crucial role to play in providing security to unlock investment for the first plants, paving the way for future investment once the technology is more mature.
- 6.9. MAG welcomes the introduction of a SAF mandate and believes it will provide a strong market signal. For SAF to be produced at a commercial scale in the UK, and at the world leading scale the Government would like, it is likely that there will also need to be a system of price support to allow the technologies to become established and drive down production costs through scale up. We believe that the SAF production plants proposed for the UK will be unable to secure sufficient support from investors unless and until Government provides more far reaching and comprehensive policy support and financial assistance.

- 6.10. The UK is a global leader in carbon markets, having developed the original UK Emissions Trading System (ETS) and provided leadership at the United Nations' International Civil Aviation Organisation (ICAO) on the development of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). Carbon is best priced within a liberal and open global market. We recognise the leadership the Government has shown in negotiating CORSA and support Government in fully implementing the scheme.
- 6.11. We welcome the development of a global market framework to deliver CORSA and the Government's Jet Zero Strategy proposal to support other countries to introduce it. However, the Government has not yet clearly set out how the UK ETS will interface with the EU ETS and CORSA to ensure there is no risk of 'double accounting' for emissions and to deliver an equitable carbon price.
- 6.12. We understand that Government continues to review its policy in this area, including its call for evidence in 2021⁶. To be effective and deliver sufficient carbon savings within the timeframe required, Government policy must stimulate development activity now. We urge Government to accelerate its work in this area. Delay now is likely to mean that emissions savings cannot be delivered in a timely way at the scale that will be necessary to meet the Government's emissions trajectory and the CCC's forecast.
- 6.13. It is important that Government, airlines and aircraft manufacturers recognise the need for significant investment in airport infrastructure to accommodate alternatively fuelled aircraft. Such infrastructure will include hydrogen fuelling facilities or electrical charging points. It may also include additional space to accommodate the operational requirements of different approaches to aircraft fuelling – for example extended fuelling times, larger safety zones during fuelling and the potential that airlines may not be able to fuel an aircraft whilst simultaneously loading passengers and cargo. Significant planning and investment will be required to plan and provide the required infrastructure.

Endnotes

¹ Based on VisitBritain estimates of 2020 and 2021 inbound tourism traffic and typical inbound tourism spending

² Cooper, A. and Smith, P. (2005), 'The Economic Catalytic Effects of Air Transport in Europe', Eurocontrol, July, 1–73

³ [The China Dividend](#), September 2018

⁴ <https://www.sustainableaviation.co.uk/news/uk-aviation-commits-to-net-zero-carbon-emissions-by-2050/>

⁵ Sustainable Aviation (2020), Decarbonisation Road-Map: A path to net zero

⁶ <https://www.gov.uk/government/consultations/uk-emissions-trading-scheme-free-allocation-review-call-for-evidence>