

## Written evidence submitted by London Luton Airport (AAS0010)

### About LLA

- London Luton Airport is owned by the local authority, Luton Borough Council through its specific operating company London Luton Airport Limited (LLAL) but it is managed, operated, and developed on a long-term concession agreement until 2031 by London Luton Airport Operations Limited (LLAOL).
- LLAOL is wholly responsible for the running the airport for its 100% shareholders, global airport operator AENA and specialist investment manager AMP Capital.
- LLA is the fifth largest airport in the UK and carried 18 million passengers in 2019, an increase of 8.6% on 2018.
- The airport indirectly employs over 9,400 staff and is a key economic driver for the Three Counties (Beds, Herts, Bucks) region.
- A £160million redevelopment programme to transform the airport and increase capacity to 18 million passengers per year by 2020, including the complete redesign of the terminal, was completed in December 2018.
- A £225million mass passenger transit system that will directly link Luton Airport Parkway station and the terminal building is currently under construction and is due to go into operation in 2021.

### Inquiry Response

#### Recovery

Over the summer London Luton Airport Operations Ltd. (LLAOL) began to see some recovery in international travel, although it has not been at the levels we had hoped for with passenger numbers still well below those seen before the pandemic.

It is essential that work is carried out by the GTT to allow the sector to trade its way out of the pandemic in order that we can preserve the high skilled jobs that rely on the aviation sector, especially in light of the JRS coming to an end. However, to allow this to happen, the UK must have a more simple and less expensive testing regimes to boost confidence in the market and encourage people to fly again.

Confidence in international travel is still low due to the complex nature of flying and costs associated with testing which is outpricing many families from being able to travel. We have felt this directly at LLA due to the makeup of our low cost and short haul flights. In August we saw lower than expected passenger volumes through the airport, with volumes closing at 757,000, down 60% versus 2019 and 8% versus 2020. It is worrying to see that our passenger volumes are down on last year, demonstrating the confusion many face with the current policy.

Early indications suggest that the Autumn period will see a further decline in passenger volumes as the recovery momentum slows. This together with the end of the furlough scheme and restrictions on mobility (Brexit/ ID Cards) could be a perfect storm for the financial future of the airport.

LLA's potential full year passenger volumes are increasingly looking to be 70%-80% lower than 2019. This is all the more disappointing when viewed in the context of how our European competitors are performing. We therefore urge Government to look at some of the successes that have been utilized across the continent. Overall, summer 2021 was better than 2020 in large European markets such as France, Italy and Greece, however in the UK this has been the opposite.

Despite increases in June, the UK in July had 61% fewer flights depart than 2019, compared to 28% in France, 32% in Spain and 42% in Germany. Much of this is to do with the complex systems in place for vaccinated travellers in the UK, who must take a pre-departure antigen and a PCR test on arrival home, whereas many of the European markets are more open. Of course, this is a result of the Schengen area, but it is important that we make the rules of entry into the UK simpler so that the UK can once again become a leader in international aviation.

We await the upcoming changes to the testing regime expected later in October and have urged the Government to ensure that the system, although cheaper, does not become more complex with the move to lateral flow tests.

Without an ability to trade at a meaningful level means we're still reliant on financial support. The outlook is grim, which is why we urge the Government to consider the following areas:

- 1. Simplify testing:**

- Swiftly implement measures to switch the requirement for a PCR test to a less complex LTF system
- Removing the PLF for vaccinated passengers from green countries
- Remove complexity from the system to make it easy to understand and follow

**2. Meaningful financial support for the sector for the winter period, such as a six-month extension to AGOSS.**

- Additionally costs at the border and in the terminal as well as investment to meet Government's green deadlines means that finances at the airport are stretched.

**3. Improvements to the operation at the border to reduce queues – Long delays as seen in recent weeks are a barrier for people to travel.**

- We know the Home Office are keeping an eye on this, but it needs to be a priority to prevent further system failures at busy periods.

**4. Consumer Confidence** – communications that inspire confidence for consumers to fly once again. This will be supported by a consistent message across Government departments.

We are keen to look to the future, fundamental to this will be how we secure a meaningful reopening. However, in the meantime it is of the utmost urgency that further support and confidence is offered to the sector to enable us to trade our way out of this crisis.

**Sustainability**

LLA is unique in the UK aviation ecosystem. The airport is owned by the local authority, but managed, operated and developed independently under a limited-life concession agreement. Based on passenger throughput, LLA has significantly less land space around the terminal and is dominated by short to medium haul traffic. These offer LLA a unique set of hurdles that the airport must overcome to reach the Net Zero targets set; as well as opportunities which the airport is keen to embrace. For this reason, we urge Government not to pursue a one-size-fits-all-approach as something that might work for a large, privately owned hub, may not work for a small publicly owned airport like LLA.

## Key Asks and Solutions

- 1) Financial support - The pandemic has presented an existential threat to LLA which is still struggling to recoup funds lost, as travel is only slowly beginning to pick up again. Therefore, it is vital Government commits to provide financial support for the sector to bring about and accelerate investments in green technology. For example, a package of tax breaks and financial incentives, similar to those offered to nudge people into buying Electric Vehicles (EV), to specifically help modernise airport infrastructure to adapt, become more efficient, and install new technologies. These incentives could be:
  - Support to minimise the risk linked to some of the infrastructure and technology solutions needed at speed
  - Create a 'Net Zero Capital Fund' and 'Green Bonds' linked to aviation. Not only this would provide returns but also carbon stewardship to ESG focused investors
  - Government grant schemes and incentives for investment in infrastructure (e.g. similar to UK grants on EV charging infrastructure)
  
- 2) **Airspace modernisation** – One of the easiest short-term solutions is to speed up the 'Airspace Modernisation Programme'. This will enable airlines to be more efficient and reduce fuel burn. Government needs to take a more active role in airspace modernisation with a focus on supporting the wider sustainability agenda.
  - As well as delivering airspace modernisation by 2030, Government must start looking into what should happen after this has been implemented. How can the UK better maximise its airspace beyond 2030?
  - From an airport perspective, the next logical step is to implement Airport Collaborative Decision Making (ACDM) which improves the efficiency and resilience of airport operations by optimising the use of resources and improving the predictability of air traffic.
  - However, unlike other airports, LLA depends on the successful implementation of the Airspace Modernisation Programme in order to implement ACDM. Additionally, the CAA should be adequately resourced to deal with the number and scale of the changes.
  
- 3) **Planning Flexibility** – With new and innovative solutions needed and tailored to an airport's individual circumstances the planning and regulatory

system needs to be more agile and flexible, designed to promote innovation and environmental gains.

- One such idea could be to follow similar principles applied in the creation of 'Freeport zones'. That is to designate airports as zones which benefit from:
  - Simplified planning processes for the implementation of Net Zero technologies
  - Investment opportunities for new technologies and infrastructure solutions
  - Tax breaks and financial incentives that reduce barriers to entry for SME's and others who can accelerate decarbonisation

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