

Written evidence submitted by TUI (AAS0032)

About TUI

TUI is the UK's largest tour operator. We have a team of over 10,000 employees and our full holiday programme served over six million customers in the financial year 2019. When fully operational, our UK airline, TUI Airways, operates to over 85 destinations in 38 countries. We also have around 300 retail stores across the UK.

TUI UK & Ireland is part of the TUI Group, one of the world's leading tourism group, which comprises tour operators, 1,400 travel agencies and leading online portals, five airlines with around 140 aircraft, over 400 Group and third party concept hotels and 16 cruise ships.

We welcome this opportunity to provide written evidence to the Transport Select Committee's inquiry. Our evidence has focused on the impacts of COVID-19, including the impacts compared to those seen in our other European source markets, and sets out some points on how the sector can start to recover from the pandemic.

Executive summary

- The aviation and travel sector has been one of the hardest hit sectors of the economy during the COVID-19 pandemic as consistently evidenced by figures from the Office for National Statistics
- At the beginning of the pandemic in March 2019 we repatriated 45,000 UK customers from abroad as countries shut their borders and the Foreign Office advised against all non-essential travel
- Since then, we have had months at a time where our flights and holiday programme have been halted. Where we have been able to operate, this has been heavily constrained by travel policies in place, such as the travel corridor system introduced in July 2020
- The restart of international travel in May this year, which saw the introduction of the traffic light system did not result in a meaningful restart of travel as anticipated. When travel resumed on 17th May our initial operations were limited to only four airports, compared to our normal regional flying programme which operates from 22 regional airports.
- As a result of these restrictions on travel, the industry has had to take on debt to get through the crisis that must be paid back. As a Group we

received €4.3bn of state support and took extensive measures to cut fixed costs to secure our financial position

- The furlough scheme has been a valuable resource and now that this has ended, it is vital that we see a more stable and less burdensome framework for travel to enable the recovery of the sector

Comparison with Europe

- Despite the success of our vaccine rollout, the UK took a much more restrictive approach to travel for vaccinated passengers compared with European countries
- TUI has always supported measures to protect public health and introduced numerous health and safety measures ahead of the restart of our operations
- However, from 22nd July to 11th August, the ONS infection survey reported an infection rate of 1.36% of the population in England vs a reported rate from travellers of 1.3% returning from amber countries and 0.7% from green countries, indicating that transmission from travel to green and amber countries was no more likely than domestic transmission
- The following slides at Fig 1, 2 and 3 are taken from our Group Q3 results published on 12th August
- Fig 1, below, shows a comparison of the restrictions in place at the time of publication for both vaccinated and non-vaccinated passengers travelling to key summer destinations from our different source markets

Fig 1 - TUI Group FY21 Q3 presentation slide highlighting government restrictions per source market

		Key Destinations (Fully vaccinated)			Key Destinations (Not fully Vaccinated)			Procedures
		Spain	Greece	Turkey	Spain	Greece	Turkey	
	UK ¹	✓	✓	✗	✓	✓	✗	Generally no procedures (Antigen-Testing might be required by destination/market)
	GERMANY ²	✓	✓	✓	✓	✓	✓	
	BELGIUM ³	✓	✓	✗	✓	✓	✗	PCR Testing required
	NETHERLANDS ⁴	✓	✓	✗	✓	✓	✗	Mix of PCR-Testing and quarantine measures
	DENMARK	✓	✓	✗	✓	✓	✗	
	SWEDEN	✓	✓	✗	✓	✓	✗	Not operated by TUI due to strict travel warning

Strong demand evident when travel is permitted and there is clarity in requirements

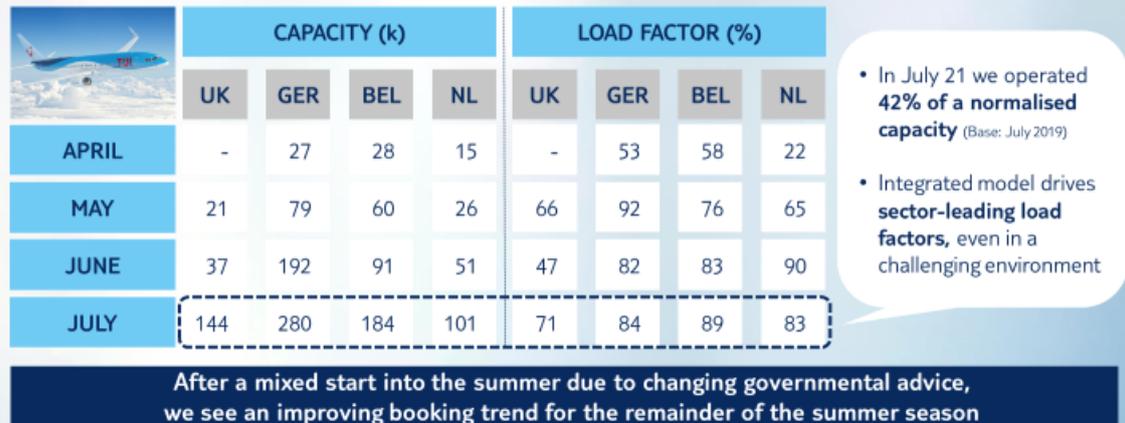
As of 10 August: 1. No quarantine requirement for travellers under 18, different testing rules between 5 and 12 | 2. Children < 6 years are exempt from all testing requirements | 3. Children under 12 follow their parents' procedure | 4. Children under 12 are exempt from testing and quarantine | Additional markets: Finland - Operating, regulations comparable to Sweden and Denmark, Poland - currently permitted to travel, PCR testing required, Norway - key destinations require testing and quarantine procedures

TUI GROUP | FY21 Q3 Results | 12 August 2021

- As Fig 1 demonstrates, the UK mandated PCR tests for vaccinated passengers travelling to Spain and Greece, unlike our other Group source markets
- In addition, for non-vaccinated passengers travelling to Spain and Greece, the UK required a period of self-isolation, while other source markets in Europe required testing only
- Our capacity plans in the UK in the opening months of summer was minimal as a result of these restrictions. For context, Fig 2 below demonstrates that the Netherlands, less than one third of the size of our UK business, was able to operate a better capacity than the UK in April, May, and June.

Fig 2 – Capacity across TUI source markets, April-July

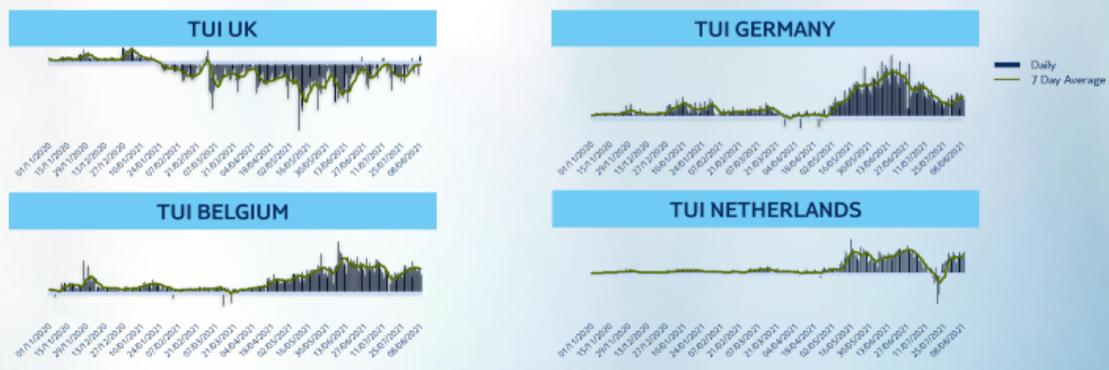
Anecdotal evidence "People want to travel" – Sector-leading load factors demonstrate the strength of our business model to restart operations quickly



- The easing of restrictions for vaccinated passengers on 19th July, which meant they no longer had to self-isolate on return from an amber country helped to increase our capacity, as demonstrated in Fig 2 above, but this was not enough to restore customer confidence in bookings, and our UK bookings remained heavily negative compared to 2019, as highlighted in Fig 3 below.

Fig 3 - booking position up to 8th August 2021

Anecdotal evidence "People want to travel" – Strong booking uptake on positive news flow and adjustment of travel advice policy (Net pax S21 bookings since 1 November 2020)



Stricter travel restrictions in UK reflected in current booking profile, while other source markets already benefit from greater freedom for (especially vaccinated) customers

- In our recent Post-Close Trading Update on 6th October, we reported a reduction from 60% planned Group capacity to between 50-60% Group capacity for the peak summer period in July to October, primarily as a result of subdued UK bookings over this key period.

How the aviation and travel sectors can recover from the impacts of COVID-19

- We welcomed the government's announcements of 17th September and 7th October, which have resulted in a positive impact on forward booking trends
- The removal of the traffic light system and the lifting of Foreign Office travel advice to align with the remaining red list has created a more straight-forward framework for travel and the reduction of the red list means we will now be able to take customers away to their favourite destinations
- However, this change is in the context of two lost summers for the travel industry, the end of the furlough scheme in September, and residual travel restrictions remain
- It is vital that we see a continuation of a stable framework for travel - where countries are not rapidly added to the red list with limited warning - to support consumer confidence
- While the replacement of day two PCR tests with lateral flow tests for vaccinated passengers is welcome, vaccinated passengers in European countries have largely been able to travel without any testing at all and the requirement for arrivals testing for vaccinated passengers for non-red list countries should be removed as soon as possible
- Extensive restrictions remain in place for non-vaccinated passengers which we expect to be kept under review
- We also expect the requirement of hotel quarantine for red list countries to be kept under review
- We recognise that the Passenger Locator Form remains a tool for government to track possible transmission and ensure compliance in the medium-term. However, the PLF should only remain in place so long as there is a justifiable rationale and the Fixed Penalty Notices that are still in place for carriers must be removed as soon as possible. While the PLF remains in place, improvements can be made to further digitalise and automate the process to ease the burden on carriers performing checks

- We also look forward to working with the government to address strategic priorities, including support for the net-zero ambitions set out by the aviation sector

October 2021