

Written evidence submitted by Gatwick Airport

Response to the Committee on Digital, Culture, Media and Sport inquiry into the impact of Covid-19 on DCMS sectors

Introduction

1. Gatwick Airport is the UK's second largest airport. It serves more than 230 destinations in 74 countries for 46 million passengers a year on short and long-haul point-to-point services. Gatwick is also a major economic driver and generates around 85,000 jobs nationally, with 24,000 of these located on the airport. The airport is south of Central London with excellent public transport links, including the Gatwick Express, and is part of the Oyster contactless payment network.
2. Gatwick Airport welcomes the opportunity to respond to the consultation on the impact of COVID-19 on DCMS sectors. Our submission will focus on tourism, with a particular focus on the impacts of the disease on the sector. As an airport, our host government department is the Department for Transport, and as such our submission will not comment on the support measures provided by the Department for Digital, Culture, Media and Sport.
3. COVID-19 is having, and will continue to have, a range of short and medium term impacts on aviation, a key driver of the tourism sector. We would ask that the committee looks at the following:
 - **Immediate impact of COVID-19:** Gatwick Airport brings 5.5 million overseas visitors to the UK each year. The current 14-day quarantine measures undermine any opening up of air travel, and should be replaced by a more risk-based system based on the 'air bridges' concept. Moreover, the hoarding of slots by some airlines, who make clear they will not use them, slows the recovery as other airlines are locked out of utilising this capacity.
 - **Long term impacts:** Aviation was the first impacted sector, and will be the last to recover. As such, the Coronavirus Job Retention Scheme must be extended beyond October and business rate relief, currently enjoyed by airports in Scotland and Northern Ireland, must be extended to English airports.
 - **Supporting innovation:** The government must look at innovative ways to support the sector, including pausing Air Passenger Duty (APD), expanding duty free shopping and supporting schemes such as Gateway Gatwick, our innovative programme that sees tourism bodies work in partnership with the airport to connect in-bound passengers to the region.

The immediate impact of COVID-19 on the sector

4. Each year Gatwick Airport brings 5.5 million overseas visitors to the UK - for business, tourism or visiting family and friends. This group spends £3.9 billion including on goods and services, hotel stays, restaurant meals, retail purchases, and leisure and cultural attractions. In 2017, just over half (56 percent) of overseas visitors' overnight stays were within London, a further quarter (24 percent) were spread across the South East, including the Coast to Capital LEP (12 percent) and the Gatwick Diamond area (4 percent). The remaining fifth of overnight stays are spread across the country, highlighting that Gatwick's overseas visitors reach every region and nation of the UK. Overseas visitors travelling through Gatwick support 93,300 jobs across the UK, with £4.7 billion added to national GDP in 2017 alone.

The transactions, profits and wages paid due to this activity give rise to an estimated £1.2 billion in revenues for the Exchequer each year. It is clear that Gatwick acts as a vital gateway to the world for our tourism industry¹.

5. Since the beginning of the COVID-19 outbreak, we have seen passenger volumes drop by as much as 99% on what we would expect. In a day in April, just 23 passengers used the airport. This compares to around 150,000 we would have expected. The immediate impact of COVID-19 has therefore been dramatic, unprecedented and damaging to the airport and the wider tourism sector.
6. As we begin to ramp up our operations, we have developed a number of measures to keep passengers safe, including:
 - Passengers will be required to wear a face covering throughout the airport with Gatwick staff mandated to wear face coverings in passenger-facing areas of the terminals. Face mask vending machines will also be made available at the airport;
 - Encouraging good hand hygiene with ample, well signposted hand washing facilities and numerous hand sanitising stations - including touch-free models - throughout;
 - Frequent, enhanced deep cleaning of common-use surfaces throughout the airport with dedicated teams visible to respond to any passenger concerns on cleanliness;
 - Social distancing procedures in place at check in, security, gate rooms, seating in departure halls and in restaurants, bars and shops;
 - Installation of Perspex screens throughout the terminals, including check in desks, and gate rooms.
7. However, the increase in passenger volumes is being held back in relation to both supply and demand. To take demand first. The 14-day quarantine rules mean that anyone visiting the UK from abroad must self-isolate for 14 days, which makes tourism impractical for a large majority of people. This means that, even for countries with low COVID-19 infection rates, the restart of the tourism industry is not underway. We urgently need the government to move from a blanket policy to a risk-based model treating each country on the evidence (so called 'air bridges' or public health corridors.) Without the easing of this policy, demand will continue to be suppressed. In addition, Foreign and Commonwealth Office travel advice, which currently advises against "all but essential international travel", must begin to reflect the differing experiences across countries and set out country-by-country advice. This would allow for a more risk-based approach to be taken.
8. Secondly on the issue of supply, we know that the pausing of the 80/20 slot rules (the 'use it or lose it element whereby airlines must fly at least 80 per cent of the slots in order to retain them for the following season) means that there is not the added incentive for airlines to start operations because their slots are secured for future use. This has the impact of slowing the restart for airports, who could persuade other airlines to use these slots. Moreover, it is apparent that some airlines have made announcements of withdrawing from an airport, without relinquishing their slots. This lack of flexibility means that tourism numbers are likely to be lower in the summer season, and for a few seasons longer, because of this restrictive practice. We would ask that the committee look at this issue in particular, as the impact on how many overseas tourists visit the UK will impact hugely on the whole tourism sector.

¹ Oxford Economics, "Gatwick Airport's impact on the visitor economy", February 2018

The likely long-term impacts of Covid-19 be on the sector

9. The COVID-19 epidemic has had, and will continue to have, an unprecedented impact on air travel and the tourism industry. Gatwick Airport estimates that passenger volumes at the airport, previously at over 46 million a year, will not again be reached for up to four years. The Gatwick Diamond Partnership has estimated that a reduction in passengers will lead to a 16% drop in local economic output over the course of 2020². They estimate that, assuming pre-COVID growth rates, it will take the Gatwick Diamond ten years to recover the GVA it is expected to lose in 2020³. As the first sector to be impacted economically by COVID-19, aviation will be the slowest to recover, impacting directly on UK tourism. The World Travel and Tourism Council (WTTC) estimates that up to 2.9 million UK jobs in tourism could be lost, particularly if restrictive practices (such as 14-day quarantine) continue⁴.
10. The loss of jobs and companies being forced into liquidation will make any upturn in tourism slower than would otherwise be the case. This scarring will be felt particularly in regions around airports that rely on them to act as economic anchors⁵. As such, the retention of jobs is crucial to aid the restarting of the aviation sector. Gatwick Airport very much supports the government's Coronavirus Job Retention Scheme, and has made use of this mechanism to furlough workers at the airport. However, as highlighted above, the sector will be the last to recover, so we urge the government to extend the scheme beyond October. The sector will likely face a bleak summer season, a period when most tourism operators and those in the wider industry make their money, followed by an uncertain winter season. As such, we have called for the Job Retention Scheme to be made sector specific, supporting aviation up to April 2021.
11. The government has provided business rate relief to many organisations in the hospitality and tourism sectors, but this is not currently available to airports in England (airports in Scotland and Northern Ireland are receiving business rate relief.) This is despite incomes falling substantially. We have welcomed the deferral of payments offered to Gatwick by Crawley Borough Council, but it does not have the authority to offer a rate relief. Only government can do this, and we urge it to do so. It should be noted that Heathrow and Gatwick Airports (£29.2 million for the current tax year) are the two biggest business ratepayers in England and Wales respectively, and this remains unchanged despite the catastrophic decline in revenues in recent months.

Supporting innovation

12. There are a number of ways in which the government could support innovation, or to use current mechanisms in a more innovative way. The first is a reduction in Air passenger Duty, either as part of a long-term policy or as a short-term payment holiday to help boost the sector. The Transport Select Committee has recommended a suspension of the duty for six months⁶ to allow the sector to recover, which we

² Hatch Regeneris on behalf of Gatwick Diamond Partnership, "COVID-19 Impact Assessment: Gatwick Diamond", May 2020, pg 15

³ Ibid, pg 20

⁴ World Travel and Tourism Council (WTTC), "Nearly 3 million UK Travel & Tourism jobs could be lost due to prolonged travel restrictions, according to new research from WTTC", June 2020 <https://wttc.org/News-Article/Nearly-3million-UK-Travel-Tourism-jobs-could-be-lost-due-to-prolonged-travel-restrictions>

⁵ The term 'economic anchor' is defined as "an area's major employers or wealth generators" as used in Localis "Prosperous communities, productive places: How a deeper relationship with anchor businesses can drive place prosperity and business productivity", April 2019, pg 5

would welcome. As tourism, by its very nature, is a global market, the price of airline tickets can be the difference between choosing the UK as a destination or not. We would like to see assessment of how the duty can be innovatively used to boost the tourism sector.

13. Secondly, as the UK leaves the European Union, we would strongly support the reintroduction of duty-free and tax-free personal allowances to passengers travelling from the EU to the UK, following the end of the transition period (currently being consulted on⁷.) The return of tax free and duty-free shopping would contribute up to £1.1 billion in GVA each year for the UK, supporting up to an additional 10,300 new jobs⁸. In addition, the creation of duty-free shops on arrival would bring the UK into line with best practice overseas, such as Australia and Singapore, make the UK more competitive with European countries (allowing tourists to buy goods on arrival in the UK, rather than in a European airport prior to travel) and provide an important revenue stream for airports. In light of the economic impact of COVID-19, we hope that additional weight is given to the need for these changes.
14. Thirdly, at Gatwick we have created 'Gateway Gatwick', a partnership with several local authority tourism representatives to explore how we can work together to persuade visitors inbound via Gatwick to stay in the local area and visit the many outstanding attractions on Gatwick's doorstep. This has included practical measures such as the creation of tour itineraries for visitors, and the advertising of local attractions through free advertising space in the terminal buildings. This is a simple model that other airports and ports could explore, and we would be happy to provide further details to the committee.

⁶ Transport Select Committee, "The impact of the coronavirus pandemic on the aviation sector", June 2020, <https://publications.parliament.uk/pa/cm5801/cmselect/cmtrans/268/26802.htm>

⁷ HM Treasury, "A consultation on duty-free and tax-free goods carried by passengers", March 2020, <https://www.gov.uk/government/consultations/a-consultation-on-duty-free-and-tax-free-goods-carried-by-passengers>

⁸ York Aviation, commissioned on behalf of UKTRF "The Economic Impact of Reinstating Duty Free & Tax Free Sales Following Brexit", March 2020