

The Rt Hon. Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

26 March 2020

Dear Chancellor,

### **COVID-19 and the aviation sector**

Thank you for your letter, dated 24 March 2020, regarding the support measures for aviation in light of the COVID-19 epidemic. We are extremely disappointed that the Government has decided to row back on its vital commitment on 17 March to stand by the aviation industry.

In your letter, you note the importance of aviation and the role it plays in the UK economy but also the role it continues to play in the COVID-19 crisis, e.g. the repatriation of UK citizens. However, despite this, you go on to say that the industry should use existing rather than new measures to enable it to continue.

It is important to recognise that aviation has been at the forefront of the COVID-19 pandemic. Long before other UK sectors felt the impacts, aviation was already being affected by travel restrictions and passengers voluntarily choosing not to travel - indeed, it contributed to the collapse of Flybe. It is for this reason that UK airports were asking for urgent support.

In addition, there appears to be little recognition that airports have different business models from airlines. While airlines may have opportunities to reduce costs by grounding aircraft, furloughing staff and other similar measures, airports cannot easily downscale operations. A number of services have to be provided in an airport whether there are one or one hundred flights passing through, including air traffic control (ATC), security, policing, rescue and fire-fighting services (RFFS), runway maintenance, etc. While some of this can be downscaled a little, by reducing opening hours for example, there comes a point where there is a binary choice: either the airport is open, or it is closed.

Yet for the UK economy it is vital that airports remain open. Even amidst the crisis, airports are continuing to provide lifeline services to Highlands & Islands communities and the UK Crown Dependencies and freight services to ensure vital supplies (including medical supplies) arrive in the UK. They are also the base of operations for UK Search & Rescue operations, air ambulances and offshore oil, gas and wind operations that provide vital energy supplies and they play a critical role in the management of UK airspace and support UK military operations and training. Closing airports thus has a major impact on communities and whole sectors of the UK economy.

Your letter suggests several measures that may benefit the aviation sector, but these do not take account of the above:

- The **employment retention scheme** requires staff to be furloughed for HMRC to pay 80% of their wages. This is not workable for an airport that needs at least a skeleton staff to keep the airport operational – the smaller the airport, the higher the proportion of staff that need to stay in the job to keep the airport open. With no income from passengers and airlines and no government support, that is challenging to maintain. In actual fact, the measure acts as an incentive to airports to shut down operations, with all the impacts for their local communities and UK businesses mentioned above. There are also consequences for furloughed staff in ATC, RFFS and security roles who require mandatory retraining if they do not meet set hours or are absent from work for a certain period of time. This means that if staff are furloughed without alleviations, furloughing staff would hamper operational recovery after the pandemic recedes.
- **Extending VAT** is helpful, but Air Passenger Duty is a tax only paid by airlines – not airports. Airports have asked for deferral of other taxes, such as corporation tax, PAYE, and other relevant taxes. For all 50 AOA members to have case-by-case decisions on Time to Pay is unfeasible in the timescale required.

In the absence of the above two schemes providing meaningful help at this stage, cashflow positions remain largely unchanged. I can assure you that shareholders and airport owners will be supporting their businesses, and the details of that are matters of ongoing discussion between individual airports and their owners. However, airport shareholders and owners include devolved governments and local authorities, who are not in a position to step in, as well as institutional investors such as pension funds who have a wider range of responsibilities to bear in mind in light of current market conditions.

The scale of this issue means that Government help is also required to ensure that this vital industry is able to continue supporting the economy to help the country recover by providing liquidity support. Unfortunately, the Bank of England's Covid Commercial Finance Facility will not be open to the majority of UK airports because they are not rated investment grade or equivalent. Meanwhile, the Business Interruption Loan Scheme is only open to companies with an annual turnover of less than £45m, which means the majority UK airports are ineligible for it.

Other measures that Government has announced, such as the Business Rates Holiday for Retail, Hospitality and Leisure or the Cash Grant for Retail, Leisure and Hospitality, also are not open to airports, as they fall outside the eligible business categories, nor to the businesses that run the concessions in airports, such as airport retail and airport bars and restaurants, as they operate within an airport and do not have rateable properties.

This leaves airports with little to no support from Government. I am therefore writing to request you reconsider your decision not to support airports and ground-based services, including ground handling agents and air navigation service providers that are vital to the successful operation of UK aviation. It simply is not feasible to do so on a case-by-case basis with more than 50 airports and dozens of ancillary businesses in the timeframe required.

As a minimum we urge you to:

**Financial alleviation:**

- Introduce **greater flexibility within the employment retention scheme** to take account of the need to roster for skeleton staffing and for some staff to work occasionally to maintain regulated training and competencies;

- Remove the requirement for “investment grade or equivalent” criteria from the Covid Commercial Finance Facility for large companies and ensure that other criteria required by providers are reasonable and flexible for businesses;
- Require banks and bond holders not to enforce financial performance-based covenants.

**Regulatory alleviation:**

- Defer upcoming deadlines that have cost implications for airports, such as Next Generation Security and airspace modernisation;
- Relax mandatory training periods and frequencies as well as working restrictions and a common sense approach to requirements for competency assessments and refresher courses for staff returning to work after a period of absence, for regulated and licensed staff, such as security staff, air traffic controllers and airport fire services.

**Cost alleviation:**

- Defer payment of taxes including business rates; Corporation tax; PAYE; pension costs; and Section 106 contributions, as well as relief from CAA charges, Passenger with Reduced Mobility (PRM) costs, infrastructure liabilities and the costs incurred for airport policing.

As the COVID-19 crisis draws to a close, as we hope it will toward the end of 2020, it will be vital for the UK economy to reconnect with global markets and investors to help power the country, drive up demand and draw in prosperity for recovering communities. The measures outlined above are crucial to ensuring airports are in a position to contribute to that recovery.

Yours sincerely,



**Ruby McGregor-Smith**  
Chair



**Karen Dee**  
Chief Executive

CC:

- *The Rt Hon. Grant Shapps MP, Secretary of State for Transport*
- *The Rt Hon. Alok Sharma MP, Secretary of State for Business, Energy and Industrial Strategy*
- *Kelly Tolhurst MP, Aviation Minister*
- *Richard Moriarty, Chief Executive Officer, CAA*