

## London Chamber of Commerce and Industry's response to Future of Aviation APPG's inquiry into the impacts of Covid-19 on British aviation, travel and tourism sectors and the UK economy

### INTRODUCTION

1. London Chamber of Commerce and Industry (LCCI) is the capital's largest independent business advocacy organisation. We represent the interests of firms of all sizes, from micro-businesses and sole traders through to large, multi-national corporates, across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion. Our member companies and community participants encompass a wide range of sectors, many of which either operate within or are significantly impacted by aviation, travel and tourism.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and media, as well as international audiences. Through business surveys and commissioned research, LCCI seeks to inform and shape debate on key business issues.
3. LCCI welcomes this inquiry into the impacts of Covid-19 on British aviation, travel and tourism sectors and the UK economy. The future of the sectors it highlights are vital to the connectivity and attractiveness of our economy, particularly as we look to define our place on the global stage after the transition period ends and take on presidency of COP26 and the G7. These sectors also play a key role in London's position as a world-leading global city. The pandemic has had a significant impact on aviation, travel and tourism; supporting their recovery will be crucial.

### ASSESSING THE IMPACT OF COVID-19 ON AVIATION, TOURISM AND TRAVEL

4. Income for sectors linked to international travel has dropped sizeably during the pandemic. Data from the International Air Travel Association suggested that UK airports are set to lose around 165m passengers in 2020.<sup>1</sup> Firms such as travel agents are seeing next-to-no business in the current climate.
5. Airports have experienced a particularly significant impact. For example, Heathrow's most recent forecast expected passenger demand to be 22.6m in 2020 and 37.1m in 2021, compared to 81m passengers in 2019.<sup>2</sup> A collapse in passenger demand led to a 61.3% fall in revenue and a £321m loss for Gatwick in the first half of 2020.<sup>3</sup> LCCI refers to the responses of airports within its membership, Heathrow and Gatwick, for more detailed information on the impacts of the pandemic on their business models.
6. Data released by the Mayor of London, based on forecasts by VisitBritain, showed that London was set to lose out on £10.9bn worth of spending by tourists in 2020 as a result of the pandemic. This included £7.4bn less from overseas visitors, while domestic visitors were set to spend around £3.5bn less than in 2019.<sup>4</sup>
7. The pandemic has had a particularly devastating effect on businesses within London's Central Activities Zone, such as hotels and retailers, which rely on and play an important role in travel and tourism. After

<sup>1</sup> European COVID-19 Impacts Continue to Worsen as Border Restrictions Remain, IATA, <https://www.iata.org/en/pressroom/pr/2020-08-13-01/>

<sup>2</sup> Heathrow is no longer Europe's biggest airport - Results for the 9 months ended 30th September 2020, Heathrow, <https://mediacentre.heathrow.com/pressrelease/details/81/News-1/12582>

<sup>3</sup> Gatwick publishes half yearly results, as airport takes further steps to protect its future resilience against the economic impact of COVID-19, Gatwick, [http://mediacentre.gatwickairport.com/press-releases/all/2020\\_08\\_28\\_half\\_yearly\\_results.aspx](http://mediacentre.gatwickairport.com/press-releases/all/2020_08_28_half_yearly_results.aspx)

<sup>4</sup> Mayor reveals tourist spending in central London to plummet by £10.9bn, Mayor of London, <https://www.london.gov.uk/press-releases/mayoral/central-london-tourist-spending-to-drop-by-109bn>

the first lockdown, a circa 50% drop in footfall and a decline in the number of international visitors meant that many businesses were either unable to make a profit or unable to reopen at all (e.g. theatres and nightclubs).<sup>5</sup> Worst-case scenario analysis suggests that the West End's arts and culture sector could see GVA fall by 97% by 2024 to £100m, from £4.9bn in 2019, as a result of the pandemic.<sup>6</sup>

8. Whilst there is much focus on leisure tourism, not enough detail is given to (or understood by) Government with regards to business travellers. It is estimated that across the UK, over £28bn was spent by international visitors in 2019.<sup>7</sup> A third of the spend was by business travellers, or roughly £9bn.
9. The support measures that have been made available to the aviation, travel and tourism sectors have been widely used. In terms of the Coronavirus Job Retention Scheme, it is estimated that 51% of workers in the aviation sector were on partial or full furlough leave in the two weeks prior to the second lockdown in England.<sup>8</sup> Close to one-third of workers in industries such as hospitality & tourism and arts & heritage were on furlough prior to the second lockdown (28% and 31%, respectively).<sup>9</sup>
10. However, job losses have still occurred in these sectors. Data from the Office for National Statistics show that the number of employed people in the two sectors mentioned in point 5 has fallen by 145,000 people **across the UK** between Q1 and Q2. In London specifically, employment in the arts, entertainment & recreation and accommodation & food services sectors has fallen by 19,000 between Q1 and Q2. The four major hub airports serving London – Heathrow, Gatwick, Stansted and London City – have all either announced job losses or are intending to make further redundancies.
11. In addition, over 111,000 businesses received grants in London under the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund.<sup>10</sup>
12. For the tourism and travel sectors, the business rates holiday applied to the 2020/2021 financial year was welcomed and has aided with financial costs. However, airports in England and Wales have not received business rates relief and are burdened with some of the highest bills in the country. This is inconsistent with measures taken by the devolved Northern Irish and Scottish governments, which both introduced business rate holidays for airports in their regions.
13. The lack of a sector-specific deal for the aviation industry puts the UK government apart from its international counterparts. Across Europe, the Dutch, French, German and Italian governments have all agreed bailouts with their national airlines.<sup>11</sup> Whilst airlines such as EasyJet and Ryanair have accessed finance under the Covid Corporate Financing Facility, this is still lending that will have to be repaid.
14. The current quarantine rules in place for international travellers have completely decimated confidence for potential flyers. A two-week period of self-isolation can be extremely costly for anyone that cannot perform their job remotely. For business travellers who might only be out of the UK for one or two days, a 14-day quarantine makes such a trip untenable. The result is that firms which rely on travel overseas in order to generate business are not able to do so, and therefore miss out on crucial income.

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<sup>5</sup> Our Manifesto, Central London Alliance, <https://www.centrallondonalliance.com/manifesto.html>

<sup>6</sup> Ibid

<sup>7</sup> WTTC 2020 Annual Research: United Kingdom

<sup>8</sup> ONS Business insights and impacts on the UK: 19 November 2020

<sup>9</sup> ONS Business insights and impacts on the UK: 19 November 2020

<sup>10</sup> Coronavirus grant funding: local authority payments to small and medium businesses, GOV.UK,

<https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses>

<sup>11</sup> European airlines' strategic responses to the COVID-19 pandemic (January-May, 2020), Sascha Albers & Volkers Rundhagen, Journal of Air Transport Management,

<https://europemc.org/backend/ptpmcrender.fcgi?accid=PMC7363596&blobtype=pdf>

## LOOKING TO THE RECOVERY FOR AVIATION, TRAVEL AND TOURISM

15. It is therefore crucial that confidence is restored in travelling. Discussions around a reduction in the quarantine period (by 50% or more) are welcome – however, any required quarantine period will continue to deter flyers both into the UK and out. The Government must work with the aviation industry to provide a testing system that offers reassurance to all parties involved in a flight: 1. To the passenger themselves; 2. To their fellow passengers; 3. To the airline that is operating the flight; and 4. To the local population at the traveller's destination. **This cannot be overstated enough – the Government has a necessary role to play in facilitating safe international travel and supporting thousands of businesses and jobs.**
16. A properly functioning test and trace system is one of the key pillars to boosting confidence in travel, and steps should be taken towards ensuring this becomes effective enough to safely reduce and, where possible, replace current quarantine requirements. Efforts must also be made to work with governments across the world on mutual recognition of testing regimes, to provide greater reassurance to all parties.
17. Alongside this, clear and precise messaging on restrictions and guidelines will be vital to the confidence and safety of travellers, as well as businesses and workers in aviation, travel and tourism. Members of LCCI have raised concerns that unclear rules, compounded by the frequency of changes to restrictions, are hindering adherence to guidelines. The Government must establish more consistent clarity about what people are able to do, in addition to what they are required not to do, with detailed sector-specific guidance.
18. Managing fixed costs remains a challenge for businesses across the aviation, tourism and travel sectors. The Government should act quickly to reassure businesses going into 2021 by **extending the existing business rates holiday for a further year**. In addition, the Government must urgently **offer business rates relief to airports in England and Wales** as a way of helping them to meet their costs.
19. The Coronavirus Job Retention Scheme (CJRS) extension to 31 March 2021 is a welcome step. However, any recovery for aviation, travel and tourism is likely to lag the rest of the economy. Therefore, the Government must consider extending the CJRS beyond this date in a targeted fashion, to prevent widespread job losses in these highly-skilled areas.
20. The Government has rightly introduced schemes such as Kickstart and funding for apprenticeships, to support young people through the economic downturn. However, a sizeable number of workers in the aviation, travel and tourism industries are older workers. Steps must be taken to ensure that these people are given the tools to retrain if their skills are non-transferrable.
21. There needs to be a recognition from Government of the challenges facing business travel. Much emphasis has been placed on the importance of leisure, but business travel is also critical to the UK's economic recovery. Ministers should explore innovative ways of unlocking business travel, potentially through measures such as key city corridors that permit quarantine exemptions for short-haul business trips.
22. There are numerous businesses which are linked to the travel, tourism and aviation industries that will not see their revenues improve until confidence is restored. The Government must ensure those businesses are continually supported in the same way that other sectors (such as hospitality) have been. This should include further government grants, access to subsidised employment schemes, and additional assistance with fixed costs (such as business rates and PAYE deferrals).
23. To support a revival in international travel, the Government must not take any steps that make the UK a less attractive place to visit. Plans to end the VAT Retail Export Scheme will do just that – many visitors come to London's retail spaces to shop, and the end of VAT RES will push these visitors to other destinations. This scheme should instead be extended to European visitors and made digital.

24. Central London's attractiveness to international visitors has an important role to play in supporting the recovery of aviation, travel and tourism. The Central London Alliance (CLA), which LCCI formed with the Heart of London Business Alliance and Blue Orchid Hotels, is calling for investment in a global destination marketing campaign to attract visitors when it is safe for them to return, promoting Central London's diverse cultural and commercial attractions.<sup>12</sup>
25. Recovery of the cultural sector will support the tourism industry. The CLA is therefore calling for an increase in Theatre Tax Relief, alongside tax relief to supply chain businesses that supply the arts and culture sector; a reduction in VAT on admission for currently non-exempt forms of entertainment, such as "commercial" performances; and for a Government-backed scheme that covers the costs arising from reopening venues, funds the difference between ticket sales and break-even point, and covers the cost of cancellation in the event of further restrictions.<sup>13</sup>
26. Sustainability must be a key component of the long-term recovery of the aviation, travel and tourism sectors. LCCI has welcomed the recently announced Ten Point Plan for a Green Industrial Revolution. The Government's recognition of the need to support the production of sustainable fuels and its ambition for the UK to play a leading role in global sustainable aviation are particularly welcome. Building on these commitments by working in close alignment with industry will be crucial to the efficacy of these pledges.

## CONCLUSION

27. Much more must be done to support the aviation, tourism and travel industries, key contributors to economic growth in the UK that are not expected to see a rapid recovery in 2021. In particular, the Government has a vital role to play in restarting international travel and must do significantly more to recognise its importance to the UK economy. Alongside stakeholders in these industries, the Government must work to find a support regime that provides much-needed confidence, retains jobs and ensures the UK remains a key hub for international travel.
28. As a matter of priority, LCCI is calling on the Government to introduce business rates relief for airports. Alongside this, it must work with the aviation industry to ensure an effective testing system is in place quickly to boost confidence.

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<sup>12</sup> Our Manifesto, Central London Alliance, <https://www.centrallondonalliance.com/manifesto.html>

<sup>13</sup> Ibid