

House of Commons
London
SW1A 0AA
United Kingdom

27 May 2020

Dear Mr Spencer,

I have received several letters and emails from MPs and wanted to follow up on the statements I recently made to the Transport Select Committee.

The aviation industry is facing the worst downturn ever seen in its history. The Covid-19 pandemic has seen worldwide government restrictions on travel and a collapse in demand. As a result, airlines have effectively grounded the worldwide fleet. Data from Eurocontrol (<https://www.eurocontrol.int/Economics/DailyTrafficVariation-AOs.html>) show that in April 2020 British Airways operated a total of 1,784 flights compared to 28,486 in April 2019, a reduction of almost 94%. We've seen a similar pattern in May. With only 6% of flights operating and with few people travelling on those flights, BA is not generating any revenue. At a Group level we are burning through almost €30m in cash each day. Our entire focus is to ensure that the company has the liquidity to survive the immediate crisis. We must act now to secure the maximum number of jobs possible.

The Prime Minister's decision to quarantine people arriving in the UK by air, the Health Secretary's comments that it was unlikely that "big, lavish international holidays" were going to be possible this summer and the Transport Secretary's comments that people would be taking a big risk if they book a summer holiday, have all seriously set back recovery plans for our industry.

We do not see BA's business, which is almost exclusively international flying, returning to 2019 levels until 2023/4. That means we must restructure our businesses and take all necessary measures to ensure the company survives and is ready for the future business environment which will inevitably be different.

We welcome the Chancellor's decision to extend the Coronavirus Job Retention Scheme and we applaud Mr Sunak's swift action in dealing with this crisis. However, while this brings some welcome relief, it is not a permanent financial solution. It merely buys us a few extra days to address the restructuring that our business requires to survive. You can see from the published accounts of BA that employee costs in 2019 were £2,529 million, or approximately £211 million per month. The total amount received by BA under the CJRS for April was almost £35 million and while we very much appreciate the support, it amounts to 17% of the average monthly wage bill and less than two days of cash, at the current rate of cash burn.

The suggestion that BA can ignore the crisis on the back of this support does not stand up to any level of scrutiny. We have availed of all support facilities provided by the UK Government, including £300 million under the Bank of England Covid Corporate Financing Facility, the maximum available to us under the scheme. We continue to explore all other avenues to support our liquidity.

Under the Trades Union and Labour Relations (Consolidation) Act 1992, we began consultations on April 30. We are open to any ideas on how to limit and mitigate the impact of Covid-19 on our business and our employees. We are now 28 days into the consultations and to date, regrettably, Unite and GMB have decided not to represent their members, preferring to engage in what Unite calls "crisis leverage" in an effort to intimidate BA and delay any consultation taking place at this

critical time. This has not and most definitely, will not work. Time is not on our side so, we will not pause or defer our consultations.

Since the creation of IAG, BA has been consistently profitable with a cumulative operating profit of £10.8 billion. Most of the money made by the business has been invested back into the business with total capital expenditure over the period of £10.5 billion, of which £9.2 billion was spent on new aircraft and related equipment. Almost £4.5 billion of cash has gone to the company's defined benefit pension schemes, while £2.2 billion has been paid in dividends and at the end of 2019, the company held £2.6 billion in cash.

It is also worth noting that since 2011, British Airways has paid a total of £8.1 billion in taxes and APD to the Exchequer.

You can see from the above that the company has been well run, financially prudent and has balanced the need to invest in the business, to support jobs and growth in BA and in the significant supply chain that supports the company, while fulfilling obligations to employees, shareholders and the Exchequer.

We find ourselves in the deepest crisis we have ever faced. A crisis not of our making but one which we must address. We will do everything in our power to ensure that BA can survive and sustain the maximum number of jobs consistent with the new reality of a changed airline industry in a severely weakened global economy. British Airways has served the country for 100 years. We want to ensure that we play our part in reconnecting Britain to the World and helping to drive the economic recovery the country so desperately requires.

Your sincerely,

Willie Walsh
Chief Executive Officer