ACUITY ANALYSIS

FINAL CALL FOR UK CIVIL AVIATION?

The state of play in UK aerospace and aviation one year on from the promised but undelivered government support package

UKaviation

flying into the future

unite theUNION

About Acuity Analysis

Acuity Analysis was formed in 2017 and is an independent research organisation, created to serve the union movement and help rebalance power in the workplace. Unions from all sectors call upon our expertise and worker-focused analyses to provide additional leverage in negotiations and strengthen the influence of members in the workplace, the regions and nationally.

We provide unions with policy papers, employment and economic modelling, regional and industry-specific impact assessments. Our work gives unions a deeper and richer understanding of the context for corporate decisions and the impact on workers and communities.

Our close relationship to the movement and belief in its values are embedded in everything we do, and our long-standing partnership sets us apart from conventional research organisations. It means we instinctively understand the needs of our clients, and quickly capture the fundamentals of any brief, saving time and cost.

All our research is presented in an easy-to-use format and straightforward language, requiring no prior expertise, and our documents are designed for use by union officials, to promote and strengthen democracy at work.

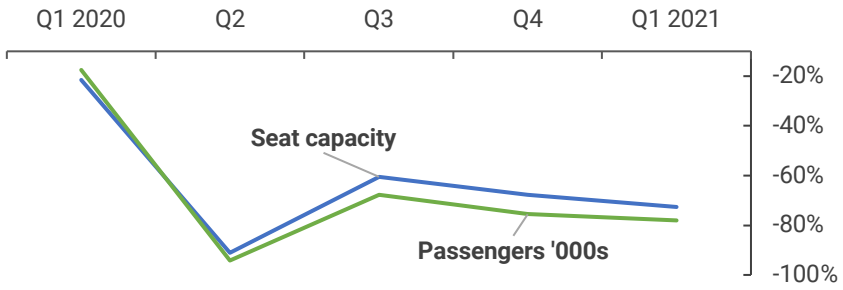
Executive summary

- Throughout 2020 UK aviation suffered from an unprecedented collapse in demand for air travel. Although the severity of the drop in demand has fluctuated over the past 12 months, UK air traffic in 2020 was 70 per cent lower than the previous year. The interconnected impact on ground handling, airports and the whole supply chain has been devastating.
- It is clear that the fluctuations in UK passenger numbers are entirely determined by the easing or tightening of government imposed travel restrictions. It therefore seems wholly appropriate that governments ought to play a leading role in the sector's recovery over the coming months and years.
- The extent of government support for European airlines appears to have heavily influenced job losses.
- The economic and social benefits of the aviation sector ripple through the economy: put very simply demand for air travel drives demand for maintenance, repair and overhaul services (MRO), aircraft and parts manufacture, catering services, oil refining, airport infrastructure, construction and of course business and tourism.
- These relationships require government support that is strategic in its delivery and broad in its impact and there are examples of this approach being adopted by European governments.
- At this moment it is not at all clear that UK aviation is now on the road to recovery - even the most optimistic forecasts suggest passenger numbers will only reach pre-pandemic levels in 2024.
- Modelling by the International Civil Aviation Organisation (ICAO) for European passenger numbers and airline revenue demonstrates the extent and depth of the fall in demand for passenger flights. By the middle of 2021 European passenger numbers are projected to remain between 40 per cent and 70 per cent lower than in 2019 and airline revenue still between USD$5bn and USD$9bn lower.
- The level of state support provided to UK aviation companies is far lower, per job, than in either France or Germany. From our calculations the UK government appears to place a far lower value on each job in our aviation sector than the governments of France and Germany.
- Current UK government support consists of loans to airline companies. While these are no doubt useful, this approach lacks strategic ambition and can only provide a temporary buffer for individual companies.

European dimension of the 2020 downturn

- The immediate impact of travel restrictions in Q1 2020 was a collapse in demand for air travel across all European countries. Government imposed restrictions caused a steep fall in demand for air travel, resulting in a 60 per cent plunge in annual passenger numbers.
- Data from the International Civil Aviation Organisation reveal the stark consequences of flight restrictions on global passenger numbers throughout 2020, shown in the graph.

Drop in seat capacity and passenger numbers for all European airlines (vs. 2019)



- Such was the scale of the collapse in European air travel , which hit its lowest point in Q2, that the subsequent easing of restrictions provided a degree of relief to airlines.
- The numbers in the table below, from Wednesday 24th February[1], represent the percentage change in the number of daily flights to and from a number of countries from the same period in 2019 and demonstrates that the UK has been most adversely affected.

% change on daily flights on 24 February 2021 vs. same date in 2019	
to/from Norway	-44%
to/from Turkey	-47%
to/from France	-61%
to/from Netherlands	-69%
to/from Germany	-71%
to/from Spain	-74%
to/from Italy	-75%
to/from UK	-82%

- The European civil aviation sector saw a collapse in capacity of almost 60 per cent as a result of 700 million fewer passengers. As a consequence, the collective revenue of all European airlines dropped by USD $100bn over the year. And the consequences of social restrictions continue to impact on the UK's aviation sector, delaying any chances of a recovery.

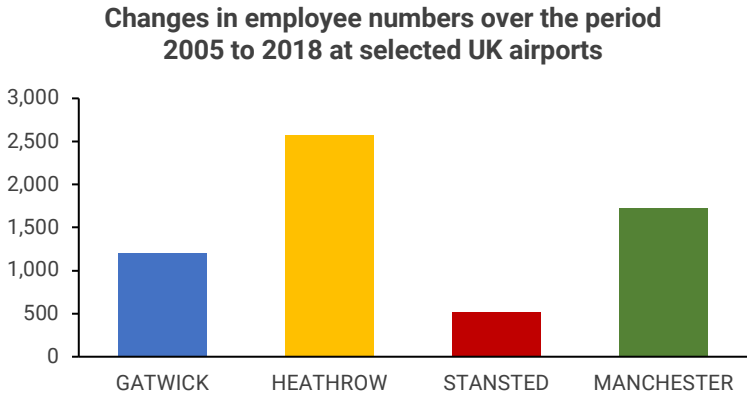
[1] Eurocontrol Comprehensive Assessment (https://www.eurocontrol.int/sites/default/files/2021-02/covid19-eurocontrol-comprehensive-air-traffic-assessment-25022021.pdf)

- The most recent data suggest that demand will remain at historic low levels well into the second half of the year and the industry's expectations for the next six months suggest an overall drop of 52 per cent in passenger numbers leading to further revenue loss of USD$160-170bn in total for European airlines.[2]
- According to the European Transport Federation, the civil aviation workforce in Europe has either been laid off (23 per cent), is currently on Furlough (35.5 per cent) or, in the case of airport based workers, is currently 'out of work' (60 per cent). The figures for a number of other EU countries are provide below.

	Layoffs	Furlough	Active
Malta	7%	71%	7%
Spain	0%	44%	66%
Luxembourg	0%	0%	100%
Sweden	34%	33%	32%
Belgium	31%	29%	40%
Denmark	56%	11%	33%
Norway	48%	36%	16%
Italy	11%	60%	29%

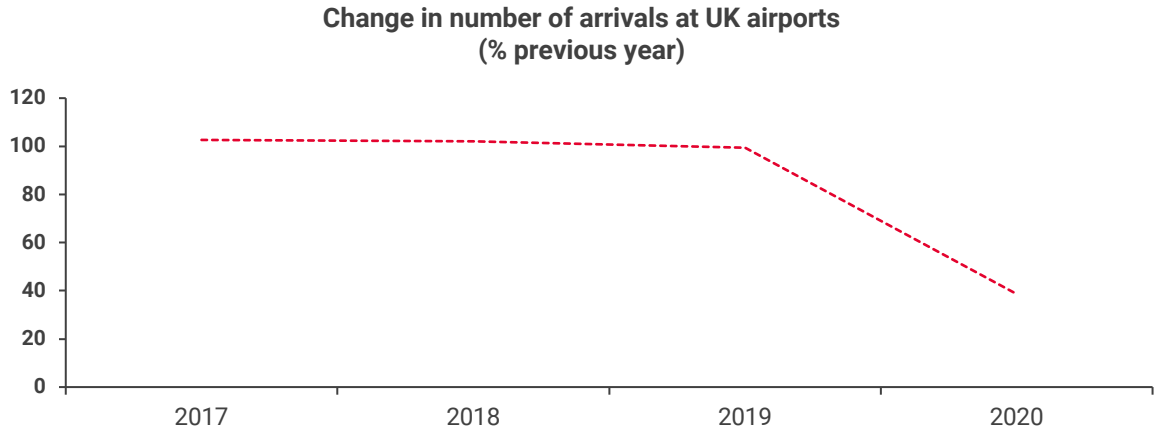
UK Airports

- Prior to government imposed travel restrictions, employment in many UK airports was steadily growing, illustrated with data from selected UK airports.

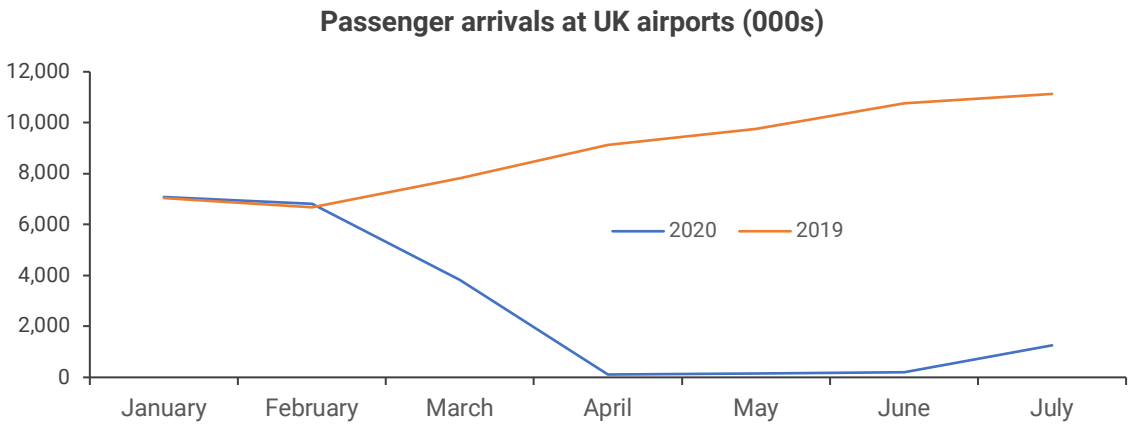


[2] ICAO data, January 2021

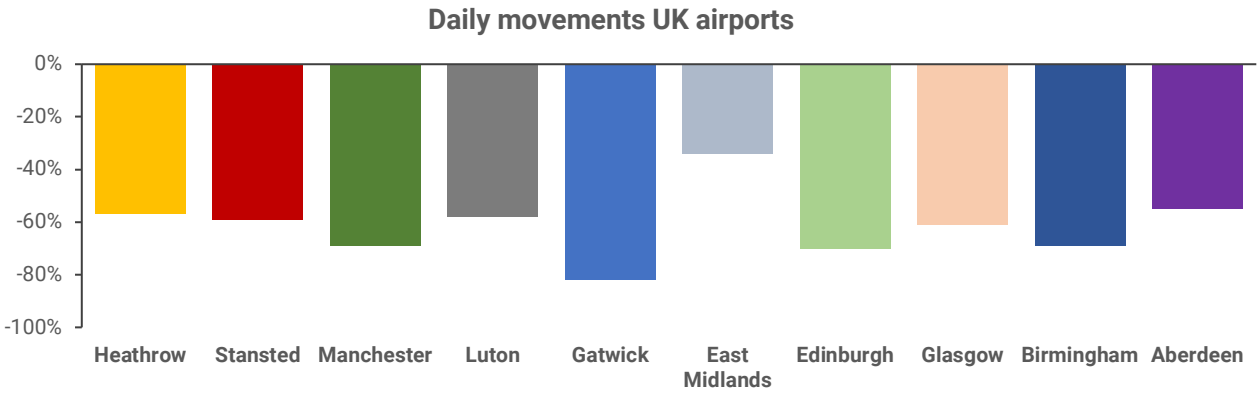
- By 2020 airlines registered in the UK provided employment for over 70,000 people, which represents an increase of almost 30 per cent since 2008.



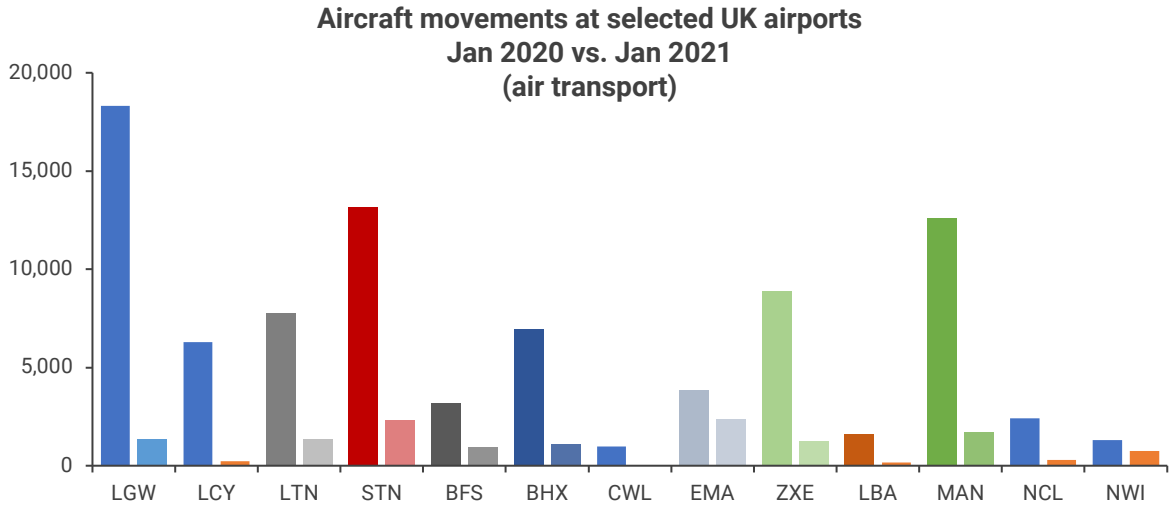
- However, UK airports saw a massive reduction in passenger and aircraft traffic throughout 2020 as a direct result of government imposed travel restrictions. This is not surprising given the collapse in the number of passengers arriving at UK airports from February onwards.
- The impact of aviation employment ripples through the UK economy – for each job that is created in aviation a further 1.29 jobs are created elsewhere in the economy. It follows that the negative impact on the economy from the loss of tens of thousands of aviation jobs will be substantial.
- Given the close relationships between air travel and retail and other airport services, the graph below suggests a substantial negative impact across the industry and explains the vast number of job losses throughout 2020.



- Research undertaken by Eurocontrol in October 2020 provides a snapshot of the impact on UK airports by comparing the number of daily flights in the same period in 2019 in the graph below.

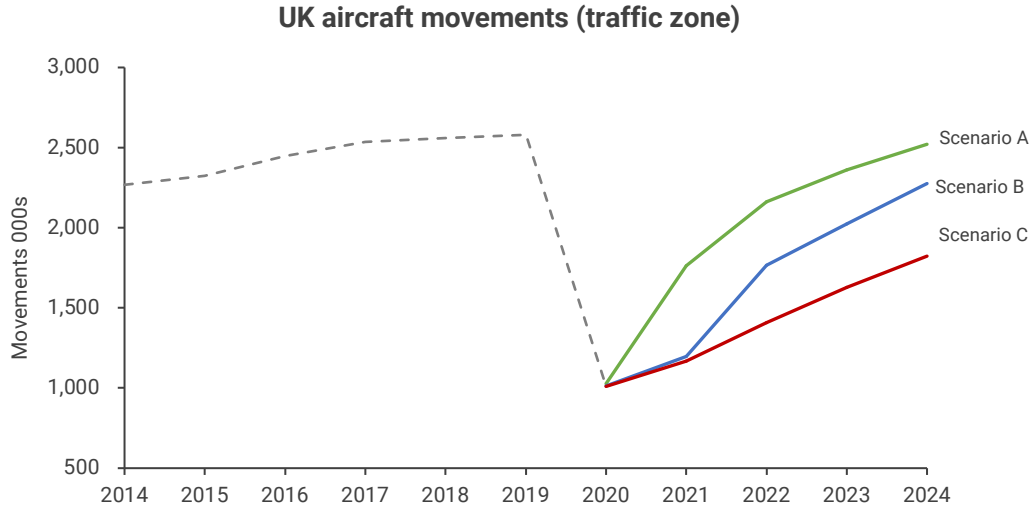


- And there doesn't appear to be any positive signs of an impending recovery. The comparison below, of the number of aircraft movements in January '21 and January '20 at selected UK airports, demonstrates the substantial gap still remaining only one month ago. Figures for 2021 are the lower for each airport.



UK Airlines

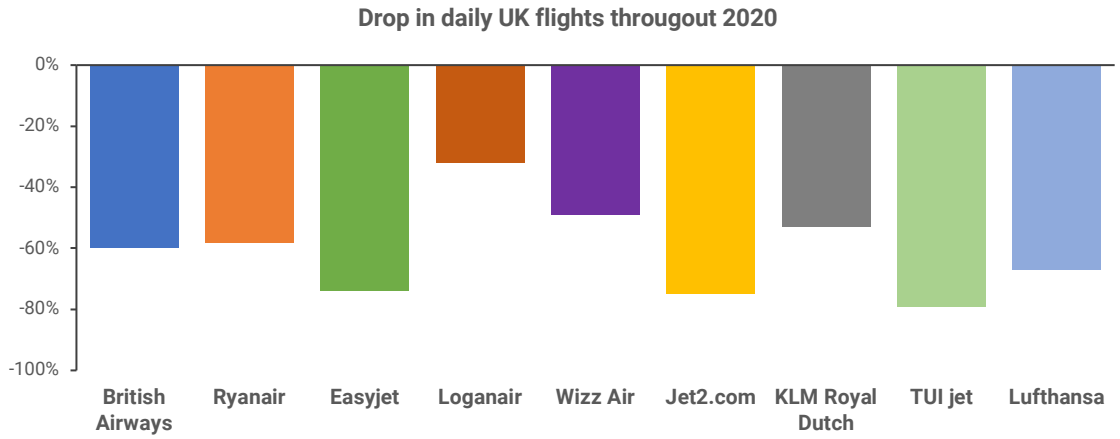
- UK airline traffic collapsed at the onset of the COVID-19 pandemic, a reduction of over 90 per cent of 2019 levels at its lowest point in mid-March 2020. Although traffic figures improved slowly, rebounding to just under 60 per cent of 2019 levels by the start of August 2020, the situation has worsened since November, enduring over the Christmas and New Year period and is currently moving in the wrong direction once again.
- Over the first 18 days of February the number of flights (arrivals and departures) from UK airports was 82 per cent lower than the same time in 2019. For comparison, figures for other European countries include Norway -53%; France -60%; and Germany -71%.[3]



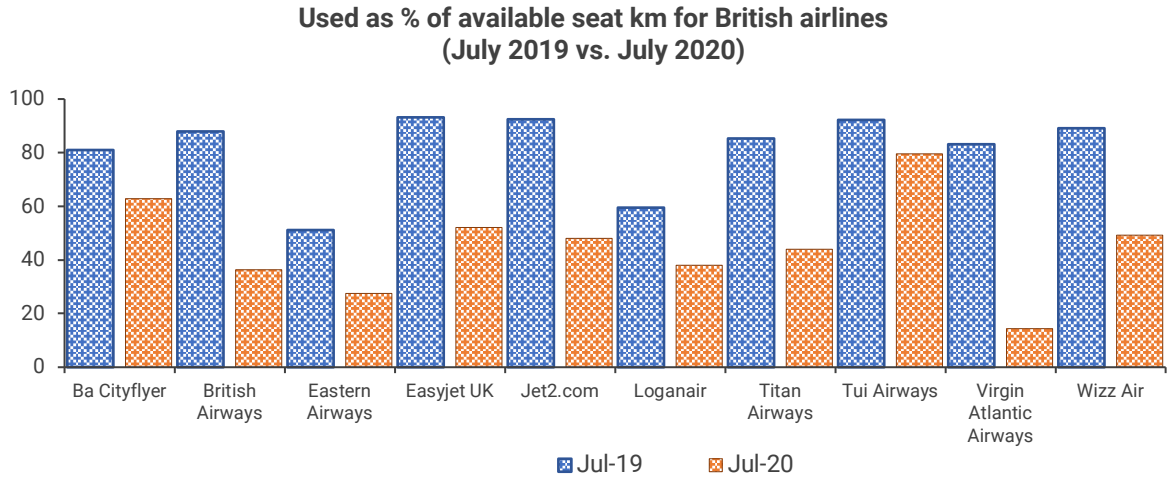
- The graph above presents three possible scenarios for a recovery in UK aviation. The ICAO has calculated the recovery for the UK aviation sector, for which it provides three scenarios: under the most optimistic scenario, the ICAO expects UK aircraft traffic to take until 2024 to reach pre-COVID levels. However, its worst case scenario presents the UK with a seriously gloomy picture indeed, with UK traffic regaining less than 50 per cent of its 2020 losses by 2024.

[3] COVID-19 Impact on aviation: comprehensive assessment (Friday 19 February 2021)

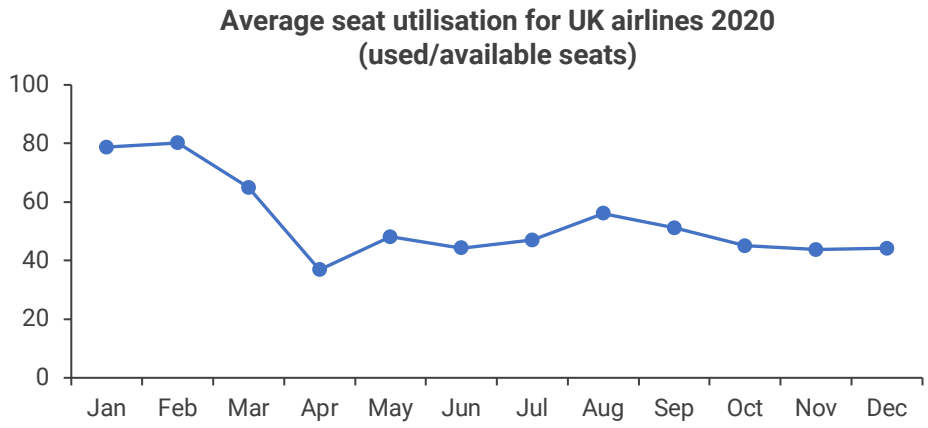
- Obviously, the collapse in demand for air travel has significantly reduced the number of aircraft required. The reduction in the number of daily flights for a selection of UK registered airlines is provided below. The relatively better performance of Loganair is most likely due to the fact that the airline services domestic UK airports, through which travel has been less subdued.



- In terms of capacity, the graph below highlights the mismatch between available and used seats, a problem compounded by the COVID-19 pandemic.



- In 2019, all airlines serving the UK's major airports operated at more than 80 per cent seat capacity. In July 2020 only one airline managed to operate at this level (TUI at 79.6%), while the average utilisation rates for the others was a little over 40 per cent (41.4%).



- Despite fluctuations throughout 2020, that shifted with the easing or tightening of UK travel restrictions, by the end of the year UK airlines were still operating substantially below capacity.

UK aviation redundancies

- Our calculations show that more than 35,600 workers who were directly employed in the aviation sector have lost their jobs since the onset of the COVID-19 pandemic in February 2020. This number equates to more than 2,966 for every month over the past year.
- The figures and companies are provided below and the stated date is that on which the announcement was made by the company concerned to the press.

UK aviation direct redundancies

Date	Company	No. of jobs
14/01/2021	Norwegian Air	1,100
12/11/2020	Loganair	165
04/11/2020	Do & Co	1,068
20/10/2020	Leeds/Bradford airport	107
09/10/2020	Norwegian air	259
07/10/2020	Manchester airport	465
07/10/2020	Stansted airport	376
14/09/2020	London city airport	239
04/09/2020	Virgin Atlantic	1,150
26/08/2020	Gatwick airport	600
07/07/2020	DHL	2,200
02/07/2020	Luton airport	250
01/07/2020	SSP Group	5,000
30/06/2020	Birmingham airport	250
19/06/2020	Gatwick ground services	676
16/06/2020	Menzies aviation	318
11/06/2020	Heathrow airport	1,200
01/06/2020	ABM aviation	695
28/05/2020	Easyjet	1,260
19/05/2020	Ryanair	336
05/05/2020	Virgin Atlantic	3,150
29/04/2020	British Airways	12,000
19/03/2020	Edinburgh airport	250
18/03/2020	Air New Zealand	130
17/03/2020	Gatwick airport	100
11/03/2020	Swissport	291
05/03/2020	FlyBe	2,000
	Total	**35,635**

- However, Unite the union has provided the following additional figures based on the union's workplace intelligence, which account for a further 10,612 job losses. Both tables reveal the wider impact that a fall in the demand for air travel has on other parts of the economy.

Additional job losses, according to Unite the union			
TUI	250	GGS	676
Swissport	4,556	Newrest	320
Menzies	2,500	East Midlands	62
Alpha (dnata)	650	OCS	133
Jet2	34	BA Cityflyer	61
ICTS	203	Air Canada	30
dnata	882	SAS (parc)	156
Wilson James	54	Belfast Airport	45
		Total	**10,612**

- **To date the total aviation job losses in the UK are 46,247.**
- And that is not all: redundancies have been announced by the following companies that have a significant presence in UK airports.
  - LGH Hotels Management 1,500
  - Boots 4,000
  - Casual Dining Restaurants 1,909
  - WHSmith 1,850
- Because the civil aviation and aerospace sectors are so intrinsically linked, it is important to consider the redundancies in both and these are contained in the table below. Including these job losses, at least 54,110 UK workers have lost their jobs in 2020.

Redundancies in the UK aerospace industry		
Date	**Company**	**No. of jobs**
13/12/2020	Rolls Royce	170
25/06/2020	Dunlop aircraft tyres	100
01/05/2020	GE Caledonian	150
16/07/2020	Turbine Surface Technologies	106
01/07/2020	SPS Technologies	350
30/06/2020	Spirit Aerosystems	183
23/04/2020	Safran Seats	387
06/05/2020	Safran Nacelles	387
27/04/2020	Airbus	2,200
01/05/2020	Rolls Royce	3,000
27/03/2020	Thompson Aero Seating	830
	Total	**7,863**

- This brings redundancies in the UK aviation and aerospace sector to 61,973, excluding those formerly employed in retail at airports and induced employment across the economy.
- By comparison, the impact on the French and German aviation industries is less substantial: fewer than 21,000 aviation workers lost their jobs in Germany (44.5 per cent of UK aviation job losses) and only 10,350 in France (19.1 per cent of UK aviation job losses).

France aviation redundancies

Date	Company	No. of jobs
15/01/2021	Corsair	112
23/07/2020	Aeroports de Paris	600
17/06/2020	Air France	7,000
27/02/2020	Air France	1,510
23/06/2020	Sogeclair Aerospace	245
15/05/2020	Jet Aviation	300
17/06/2020	TUI	583
	Total	**10,350**

German aviation redundancies

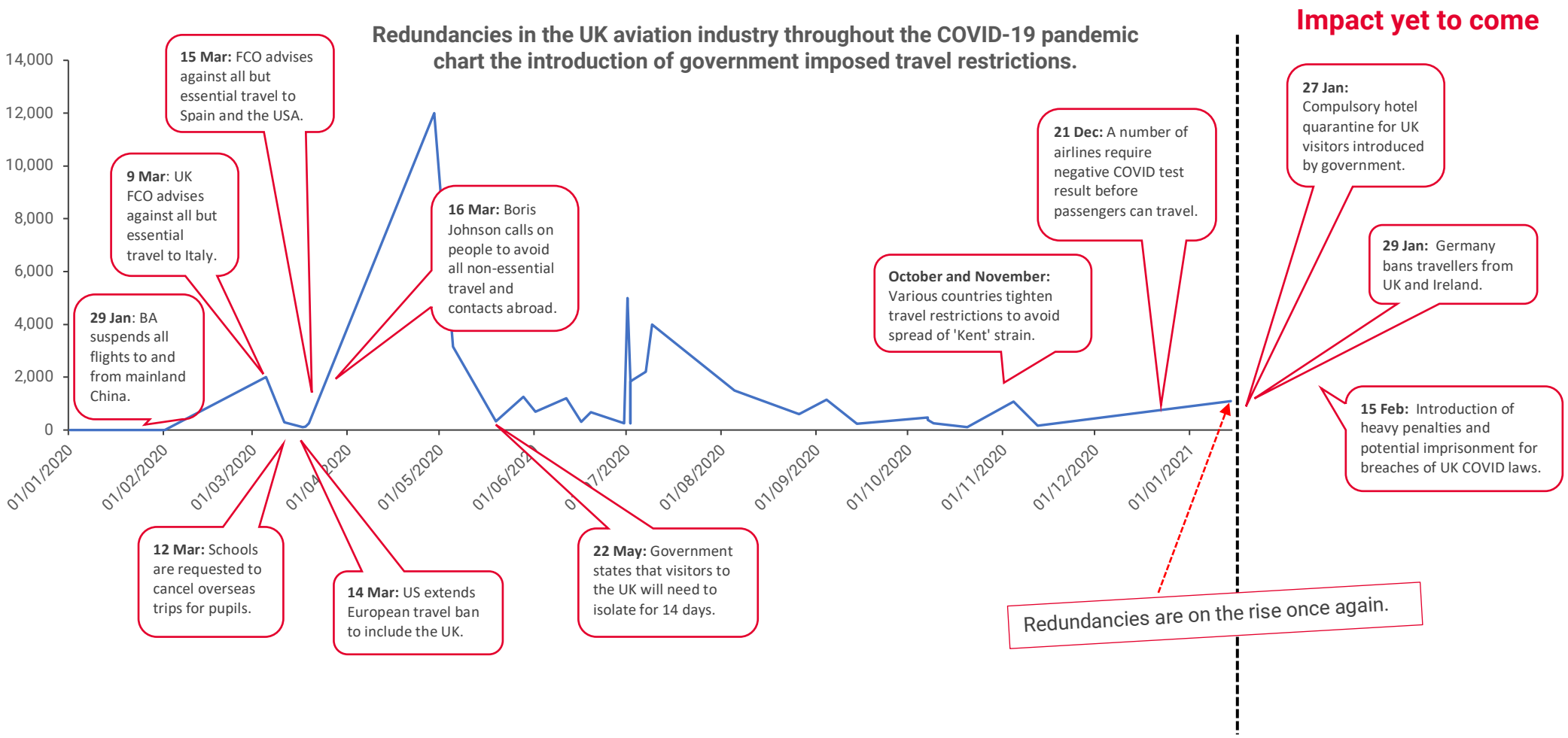
Date	Company	No. of jobs
29/01/2021	Flughafen Paderborn-Lippstadt	105
12/12/2020	Wisag	225
04/08/2020	Fraport	4,000
22/07/2020	Berlin Brandenburger Fluggesellschaft	400
10/07/2020	Wisag	800
07/07/2020	Lufthansa	11,000
01/07/2020	Easyjet	738
26/06/2020	Flughafen Hamburg	200
15/06/2020	Condor	650
26/05/2020	Eurowings	300
17/12/2020	DER Touristik	253
18/07/2020	Gebr	100
10/11/2020	Wisag Aviation	800
01/07/2020	Easyjet	738
15/06/2020	Lufthansa Technik	300
	Total	**20,609**

- If job losses within aerospace are also included for both countries, then German redundancies total 28,964 (33,009 fewer than in the UK) and the figure for France stands at 20,409 (41,564 fewer than in the UK).

Redundancies in German aerospace industry		
Date	**Company**	**No. of jobs**
16/11/2020	Diehl Aviation	1,400
27/10/2020	Schoeller Electronics	180
15/07/2020	Rolls Royce	800
06/07/2020	Premium Aerotec	2,800
08/07/2020	Airbus	3,175
	Total	**8,355**

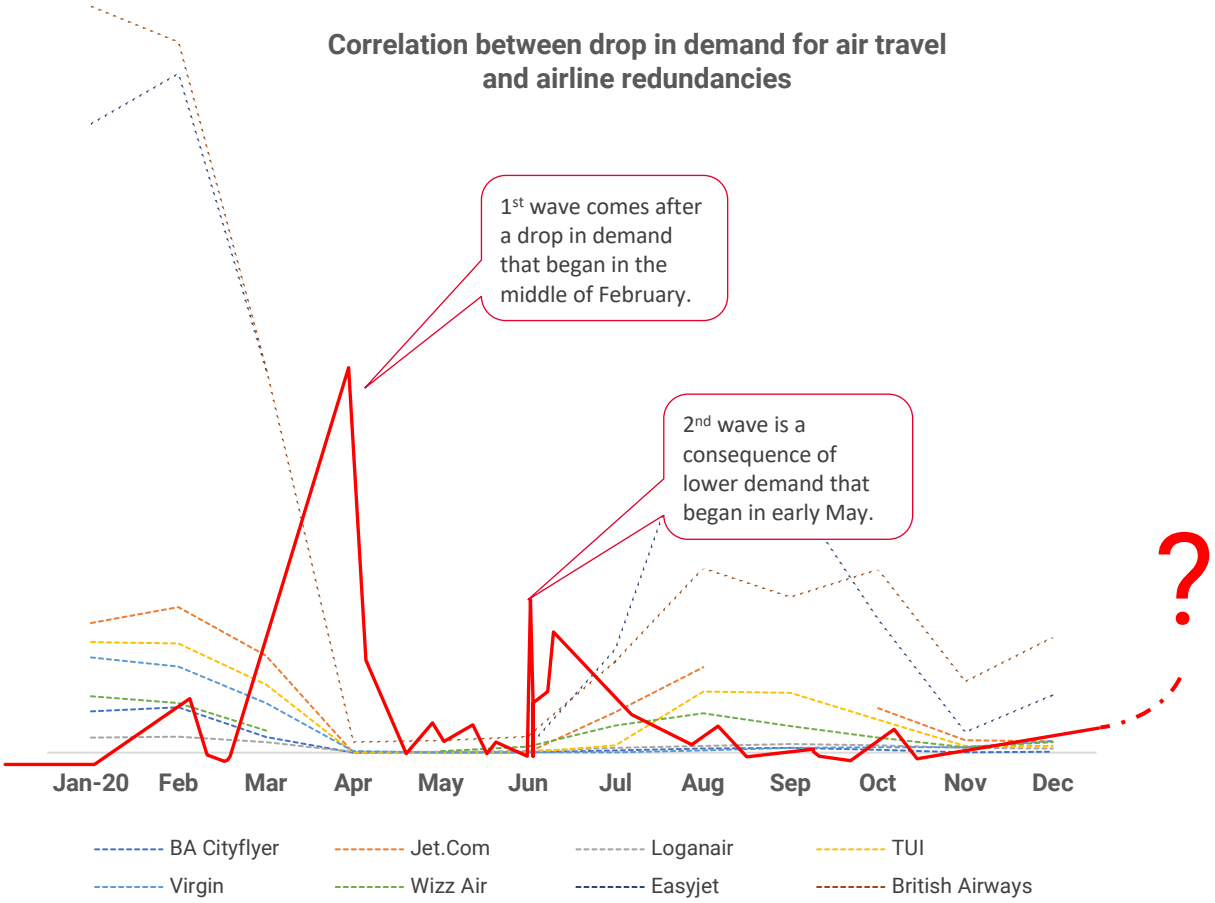
Redundancies in French aerospace industry		
Date	**Company**	**No. of jobs**
05/10/2020	Hexcel Corporation	42
18/12/2020	Radiall Group	46
25/06/2020	Halgand	89
15/10/2020	Spherea	90
16/11/2020	FAMAT	100
24/08/2020	Liebherr Aerospace	100
19/06/2020	Mecachrome	100
15/09/2020	SKF Aeroengine	123
29/09/2020	Auxitrol	124
11/11/2020	Simra Production	124
21/09/2020	Collins Aerospace	160
02/07/2020	ATR	186
24/09/2020	Lisi Aerospace Structural Components	197
04/08/2020	Lauak Aerostructures	198
07/10/2020	BT2i	199
01/10/2020	Sealants Europe	208
08/07/2020	Mecafi	242
02/06/2020	Safran Seats	250
27/08/2020	Figeac Aero	320
19/02/2020	Airbus Defence and Space	404
02/12/2020	Aubert & Duval	359
25/09/2020	Latecoere	475
06/05/2020	Derichebourg Aeronautics Services	700
02/07/2020	Stelia Aerospace	704
22/07/2020	Assistance Aeronautique et Aerospatiale	719
05/06/2020	Hutchinson Group	1,000
22/09/2020	Thales AVS France	1,000
25/06/2020	Daher Aerospace	1,800
		10,059

- Redundancies in Germany accounted for 6.8 per cent as a portion of the total employment in both the aviation and aerospace sub-sectors (28,964 job losses from a total aviation/aerospace workforce of 423,000).
- In comparison, redundancies in the UK accounted for 13.9 per cent of total employment in both aviation/aerospace sub-sectors (63,369 job losses from a total aviation/aerospace workforce of 455,000).


Redundancies in the UK aviation industry throughout the COVID-19 pandemic chart the introduction of government imposed travel restrictions.
Impact yet to come
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
01/01/2020
01/02/2020
01/03/2020
01/04/2020
01/05/2020
01/06/2020
01/07/2020
01/08/2020
01/09/2020
01/10/2020
01/11/2020
01/12/2020
01/01/2021
29 Jan: BA suspends all flights to and from mainland China.
9 Mar: UK FCO advises against all but essential travel to Italy.
15 Mar: FCO advises against all but essential travel to Spain and the USA.
12 Mar: Schools are requested to cancel overseas trips for pupils.
14 Mar: US extends European travel ban to include the UK.
16 Mar: Boris Johnson calls on people to avoid all non-essential travel and contacts abroad.
22 May: Government states that visitors to the UK will need to isolate for 14 days.
October and November: Various countries tighten travel restrictions to avoid spread of 'Kent' strain.
21 Dec: A number of airlines require negative COVID test result before passengers can travel.
27 Jan: Compulsory hotel quarantine for UK visitors introduced by government.
29 Jan: Germany bans travellers from UK and Ireland.
15 Feb: Introduction of heavy penalties and potential imprisonment for breaches of UK COVID laws.
Redundancies are on the rise once again.

How long before the aviation sector reaches the tipping-point ?

- In the graph below, the fluctuations in the number of passengers travelling on British airlines throughout the pandemic are correlated with announced airline redundancies.
- It is noticeable that throughout this period each wave of redundancies is preceded by a collapse in passenger demand. The time lag between a drop in demand and job losses is as expected - businesses adjust capacity as a result of changes in demand.



- This cycle of lower demand followed by redundancies suggests a 3rd wave of job losses in the coming weeks, in response to the most recent drop in demand that began in late November 2020.
- The 1st wave took out a significant portion of the UK airline workforce, as employers adjusted in response to a huge drop in passenger numbers. But there is limited scope for a business to cut employment before reaching a tipping point at which it is financially impossible to continue as a going concern.
- Job losses in the 2nd wave will have taken airlines further towards this point and another wave of redundancies may well prove fatal for many airlines and disastrous for the UK economy.

State support must be directed into the economy

- Around 20 European governments have provided some financial support to domestic aviation sectors, but only two have directed money deep enough into the economy (France and Germany)

Country	Total	Airline	Amount (€millions)
Germany	€ 9,890	Condor	€ 550
		Lufthansa AG	€ 6,840
		TUI Group	€ 2,500
France	€ 10,141	Corsair	€ 141
		Air France-KLM Group	€ 10,000
Italy	€ 3,000	Alitalia	€ 3,000
Spain	€ 1,485	IAG Iberia	€ 750
		IAG-Vueling	€ 260
		Air Europa	€ 475
Portugal	€ 1,333	SATA Air Acores	€ 133
		TAP	€ 1,200
Norway	€ 1,528	Norwegian Airlines	€ 277
		Wideroe + regional carriers	€ 121
		SAS	€ 1,130
Finland	€ 826	Finnair	€ 826
Denmark	€ 1,130	SAS	€ 1,130
Sweden	€ 1,130	SAS	€ 1,130
Greece	€ 120	Aegean Airlines	€ 120
Romania	€ 81	Blue Air	€ 62
		TAROM	€ 19
Estonia	€ 30	Nordica	€ 30
Latvia	€ 250	Air Baltic	€ 250
Belgium	€ 290	Lufthansa Brussels	€ 290
Poland	€ 650	LOT	€ 650
Croatia	€ 12	Croatia Airlines	€ 12
Switzerland	€ 1,420	Lufthansa - Swiss Edelweiss	€ 1,420
Netherlands	€ 3,400	Air France-KLM Group	€ 3,400
United Kingdom	€ 5,463	IAG British Airways	€ 2,553
		Easyjet	€ 2,240
		Ryanair	€ 670
Austria	€ 450	Lufthansa Austrian	€ 450
Hungary	€ 344	Wizzair	€ 344
			€ 42,973

- Total amounts agreed by EU governments currently stands at €34,863.9 million (total agreed and still under discussion is €42,973 million).

- The value of government support per worker in a) the national aviation sector; and b) national aviation plus aerospace are provided below. Calculations show that the level of government support per job, in these sectors, in France and Germany was over twice the amount provided for each UK job.

- The French and German governments value the jobs undertaken in their respective aviation and aerospace sectors far more than the UK government does about such jobs here. The value of support provided by the French and German governments to each aviation job stands at €37,146 and €31,396 respectively. Meanwhile the support provided by the British government per UK aviation job is a mere €15,475.

Country support per job in…

	Aviation	Aviation + aerospace
Germany	€ 31,396.83	€ 22,893.52
France	€ 37,146.52	€ 25,544.08
United Kingdom	€ 15,475.92	€ 12,006.59

- The support provided by the British government represents just 41.66 per cent of the support provided by the French government for aviation jobs.

Aviation only

Amount of UK support per job as a % of French equivalent	41.66
Amount of UK support per job as a % of German equivalent	49.29

- Out of all the state support across Europe, the support provided by the French and German governments account for almost half of the entire EU28 support. In contrast, the UK government's contribution represents a share of just 12.7 per cent of total EU government aviation support.

Country share of EU state support (% of total)	
Germany	23.0
France	23.6
United Kingdom	12.7
Italy	7.0
Spain	3.5
Norway	3.6
Netherlands	7.9

- The UK government clearly values aviation and aerospace jobs far less than do either the French or German governments.

State support is the only remaining option for British aviation

- The damage to UK aviation has been a consequence of government imposed travel restrictions, in response to the COVID-19 pandemic. It only seems fair and reasonable that the remedy also originates from government.

- In all but two cases (Air France-KLM, France; Lufthansa AG, Austria) none of the vast state support packages have compelled any airline to improve the energy efficiency of aircraft or reduce the aviation sector's GHG emissions.

- The past 12 months have been devastating for both the country's economy and the British people and the impact of our exit from the European Union may yet compound the situation. Simultaneously the threats posed by irreversible climate change are now more probable than ever.

- The combination of these issues require a degree of intervention that only the state can provide. Businesses, even cash-rich multinationals, are insufficiently resourced to outlive the deepest recessions. As this document has illustrated, the past 12 months have cut starved companies and depleted their reserves. As European state furlough schemes begin to wind down, solvent companies will hardly be in a state to generate an economic revival.

Flying into the future: recovery, regrowth and resilience

Unite is calling for the promised government aviation support package to be delivered. This package should include targeted payroll support, conditional government loans, grants and Public Service Obligation (PSO) routes to ensure:

- Minimum Operational Provision
- Healthy Airports
- COVID-19 Resilient Infrastructure

Minimum operational provision

- Minimum Guaranteed Ground Operations at airports and ground/support services including ground handlers, cleaners, caterers to ensure the continued minimum service operation at airports and retain their capacity and capability to respond quickly as volume increases.
- Minimum Guaranteed Air Operations to support airlines and air navigation service providers in order to preserve specific international and domestic routes.

Healthy airports

- Planning for future operations: introduce a requirement for airports to coordinate employers and unions in establishing a safe and healthy airport.
- Vaccinations/test for passengers to be easily available and affordable; pre and post travel testing available at all airports; maintenance of PPE requirements and 'when reduced' done so in a coordinated and measured way.

COVID-19 resilient infrastructure

- UK aviation infrastructure needs to be resilient on return to a higher level of operation with the least possible disruption to employers, employees and passengers. A resilient aviation infrastructure is vital to facilitate economic recovery and for efficient, safe vaccine distribution.
- To restore confidence and ensure the safe return of passengers when travel is again possible we need proactive testing and tracing and reduced quarantining.
- The industry will need the capacity to deal with certification and other regulatory requirements, plus targeted payroll support to retain staff for recovery.
- Customer-facing aviation workers should also be considered as priority transport workers for vaccination (once the targeting by age and medical risk has been completed).

Recovery and regrowth

To secure sector recovery and regrowth, the aviation support package must also include:

- Conditional support based on environmentally cleaner and greener operations, including an aircraft scrappage scheme to replace older planes with green efficient models, also ensuring work for UK aerospace.
- No extension of 'slot alleviation' to rebuild capacity.
- Temporary suspension of Air Passenger Duty and, on reintroduction, hypothecation for support measures.
- Implementation of the airline insolvency review.
- Continued complementary rule making across the global sector to ensure consistent regulations post-Brexit.
- Planned future pandemic resilience and infrastructure protection.

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