



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

24 March 2020

COVID-19 AND THE AVIATION SECTOR

The Government recognises the challenging times facing the aviation sector as a result of COVID-19. The aviation sector plays an important role in the UK's economy, facilitating domestic connectivity to all parts of the country and the strong trade links the UK enjoys. The sector is therefore vital to our future as a global trading nation and plays a critical role in local economies. I would like to take this opportunity to express our gratitude for the ongoing efforts made by many providers to assist the Foreign and Commonwealth Office in repatriating British citizens stranded abroad. This joint approach has played a critical role in our national response and I hope that this continues in the days and weeks ahead.

On Friday I announced an unprecedented intervention to support employers across the country, by helping to pay people's wages, supporting companies to retain their staff. Employers will be able to contact HMRC for a grant of up to 80% of their wages, up to a total of £2,500 per month, provided you keep retained workers on payroll. Employers do not have to fund the difference between this payment and workers' full salary, but can do so if they wish. This should have a very significant impact on all companies and I expect it will be helpful to the aviation sector in these times. We expect the first grants to be paid within weeks, and we're aiming to get it done before the end of April. I hope this will enable you to retain your staff until the crisis has passed.

My decision to defer VAT payments due on VAT returns until the end of June should help cash flow. With fewer passengers flying, Air Passenger Duty liabilities will also be reduced. I would also encourage anyone with outstanding tax liabilities and in temporary financial difficulties to contact HMRC's Time to Pay helpline. I am aware that in some cases lease agreements may be complex, however HMRC are happy to look at individual cases and I know that some companies in the airline sector have already begun discussions accordingly.

The priority for all companies should now be to reassess their cashflow positions in the light of Friday's announcements. We would expect all companies to be pursuing all possible actions to preserve cash and maximise liquidity, including engaging with shareholders, lenders and the markets and utilising all available assets and facilities. My colleague the Transport Secretary and his officials are willing to discuss industry-wide measures that could be helpful to deal with the immediate crisis, and his officials are in close contact with mine – I know intensive discussions have been ongoing over the past week.

Following my announcement last Tuesday of the Bank of England's Covid Commercial Finance Facility for large companies, I have listened to feedback that suggests some companies including airlines are uncertain whether they can access this Facility - which is for companies rated as investment grade or equivalent. I am in discussions to resolve this

uncertainty and further announcements will be made shortly. Airports can also discuss forthcoming debt financing needs with the Treasury's UK Guarantees Scheme. Please contact ukguarantees@ipa.gov.uk for further details.

Given the significant importance of the aviation sector to our economy and economic recovery, the Government is prepared to enter negotiations with individual companies seeking bespoke support as a last resort, having exhausted other options. However further taxpayer support would only be possible if all commercial avenues have been fully explored, including raising further capital from existing investors and discussing arrangements with financial stakeholders. Terms would be structured to protect taxpayers' interest, and the Government would expect to have regard to factors including but not limited to whether the business makes a material contribution to the economic activity of the UK, the importance of maintaining a thriving competitive aviation sector in the UK to deliver connectivity and the equitable and fair treatment across businesses in the sector.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RISHI SUNAK