



Aviation Travel Disruptions

Potential Solutions and Implications for
Traffic Recovery

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1 Introduction

In the aftermath of the pandemic, the aviation industry has been in the headlines for all the wrong reasons, with stories of delays and cancellations, lost luggage and missed flights. A blame game has erupted with airports, airlines, handlers and Governments all blaming each other.

As traffic has increased since the Omicron wave, understaffed airports, airlines and handling agents have struggled to cope with the number of passengers, resulting in hour-long queues for check-in, security, aircraft boarding, and passport control. Importantly, ground handlers, including baggage handlers, have been unable to cope with fewer staff and growing traffic volumes, resulting in severe disruptions from aircraft missing slots, delayed departures, cancelled flights, and mountains of lost baggage.

The disruption is anticipated to continue throughout the summer 2022 season and even into winter, with the current consensus being that the only solution to manage the chaos is for airlines to cancel flights and reduce their schedules as far in advance as possible, while the necessary staff are recruited for full-scale operations to resume.

As always with such crises (and the current one is by no means unique) there has been a lack of evidence based analysis of the underlying reasons for the problems. In this context, Skylark has carried out a survey of industry participants together with some independent analysis in an attempt to discover the main causes in an impartial way. The results are provided below.

2 Causes of the Disruptions

2.1 Background

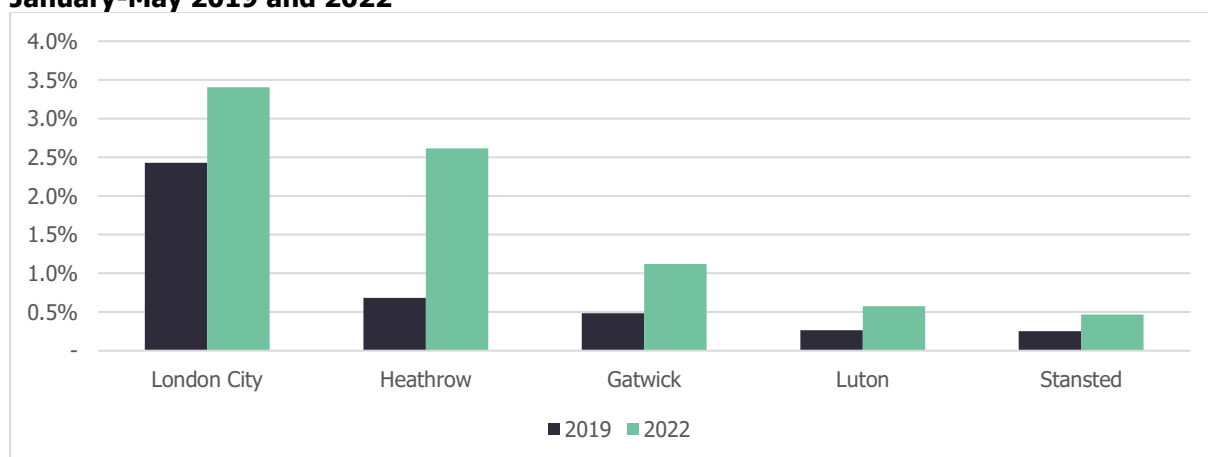
Europe’s traffic recovery seen in the first half of 2022 is anticipated to plateau over the summer period, with Q3 2022 seat capacity projected to reach 89% of 2019 levels, 3.1ppts lower than it was in April 2022. Whilst demand appears to continue to increase, ongoing issues in the aviation industry is putting substantial pressure on resources.

Airlines, airports, baggage handling companies, and others in the aviation industry across the UK and Europe are currently chronically understaffed due to cost-management measures made during the pandemic. This has resulted in widespread cancellations, delays, and general disruption for passengers flying over busy Easter holidays, bank holidays, and a season of pent-up demand, as the UK and Europe emerge from the Covid-19 pandemic restrictions.

The disruptions and delays caused by the staff shortages are further exacerbated by added complications of some travel requirements, such as PCR tests and Covid-19 vaccination certificates, making processing passengers more time consuming and resource heavy.

Resultingly, approximately 1.7 million passengers flying in or out of the UK have experienced flight cancellations within 48 hours of their planned departure.¹ ACI Europe stated 66% of European airports currently foresee delays over the summer period. Over a third of expected operations will be affected by the constraints which may also spill into the winter season. The average delay per flight at UK airports was over 60% higher than in 2019 at 18 minutes, and flights operating within 15 minutes of their allocated slot fell by 12%. These delays are likely to continue and worsen as traffic levels increase over the busy summer period. Figure 2-1 below highlights the increased levels of flight cancellations seen in 2022 from London airports.

Figure 2-1: Average Percentage of Movements from London Airports Cancelled in January-May 2019 and 2022



Source: CAA. Note: Data not available for Luton in May.

To manage further disruptions, airports have announced traffic caps for July and August 2022, resulting in a projected plateau in traffic levels for Q3 2022. London Gatwick has implemented daily flights caps of 825 and 850 for July and August respectively, compared to the typical number of daily

¹ OAG

flights of between 870 and 890 seen in the equivalent period in 2019. Amsterdam Schiphol will be capping daily passenger numbers, resulting in July and August 2022 projected to reach 89% and 90% of 2019 levels. easyJet, has consequently announced that Q3 2022 seat capacity will be reduced to 90% of 2019 levels, compared to the 97% scheduled previously.²

While the focus of this paper is the UK and Europe, the US has also seen travel disruptions and delays. From the 16th to the 19th of June over the US Federal Holiday, approximately 19,000 flights were cancelled. The New York airports, Hartsfield-Jackson Atlanta, and Chicago O’Hare airports were among the worst affected due to the large number of passengers travelling over the long weekend in combination with a lack of skilled staff, common with the UK and Europe.³ This comes after more than 2,800 flights were cancelled and 20,644 delayed over the Memorial Day weekend (27th-30th May). Reportedly several US carriers including Delta, JetBlue and Spirit Airlines, are planning to reduce their summer schedules to prevent further disruption.

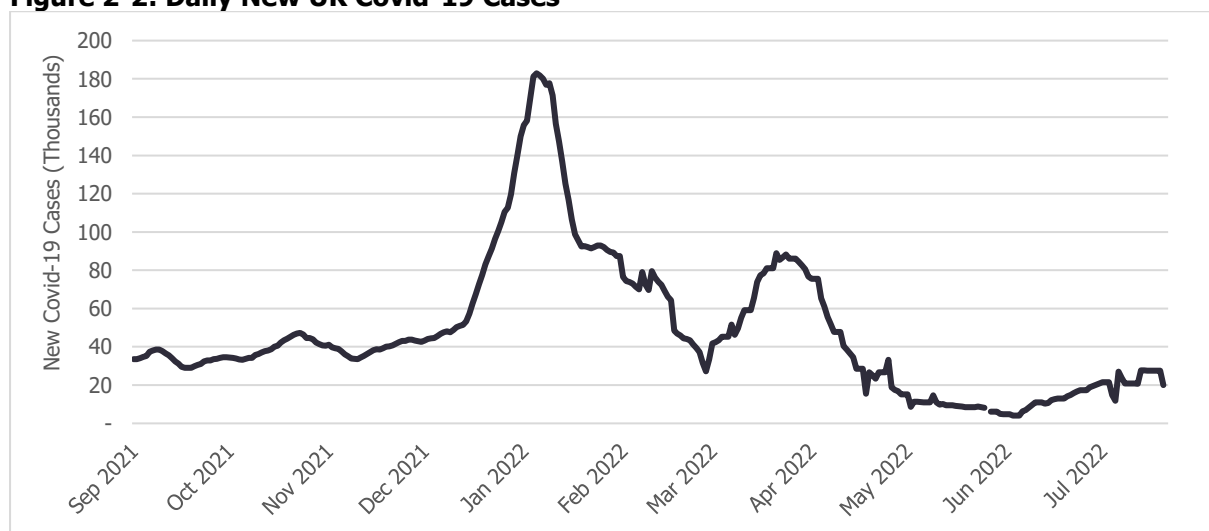
2.2 Staffing Issues

Skylark’s research finds, unsurprisingly that staff shortages among all industry players are a key cause of the issues. However, we believe that it is much too simplistic to claim, as several commentators have, that shortages have arisen as a result of industry unpreparedness for the speed of the recovery. There are in fact a number of inter-related causes:

Staff Illness

Even before the disruptions in the UK during the Jubilee weekend, airlines and airports were plagued by growing levels of staff absences as the prevalence of Covid-19 rose, as can be seen in Figure 2-2. In April easyJet cancelled over 200 flights due to “the current high rates of Covid infections...easyJet [was] experiencing higher than usual levels of employee sickness”.⁴

Figure 2-2: Daily New UK Covid-19 Cases



Source: Our World in Data

² Capa, “Europe: aviation capacity recovery to remain on a plateau through peak summer”, June 2022

³ Independent, “Thousands of flights cancelled across US over Juneteenth holiday weekend”, June 2022

⁴ The Guardian, “EasyJet expects to cancel hundreds more flights this week amid Covid staff sickness”, April 2022

Job Losses During the Pandemic

Thousands of staff in aviation were made redundant while the industry managed costs during the pandemic. Swissport, for example, cut over half of their UK ground handling staff during the pandemic.⁵ Many in the aviation industry moved on to jobs in non-air logistics such as delivering for Amazon who had seen a rapid increase in demand, leaving companies struggling to rehire employees as travel demand picks up.

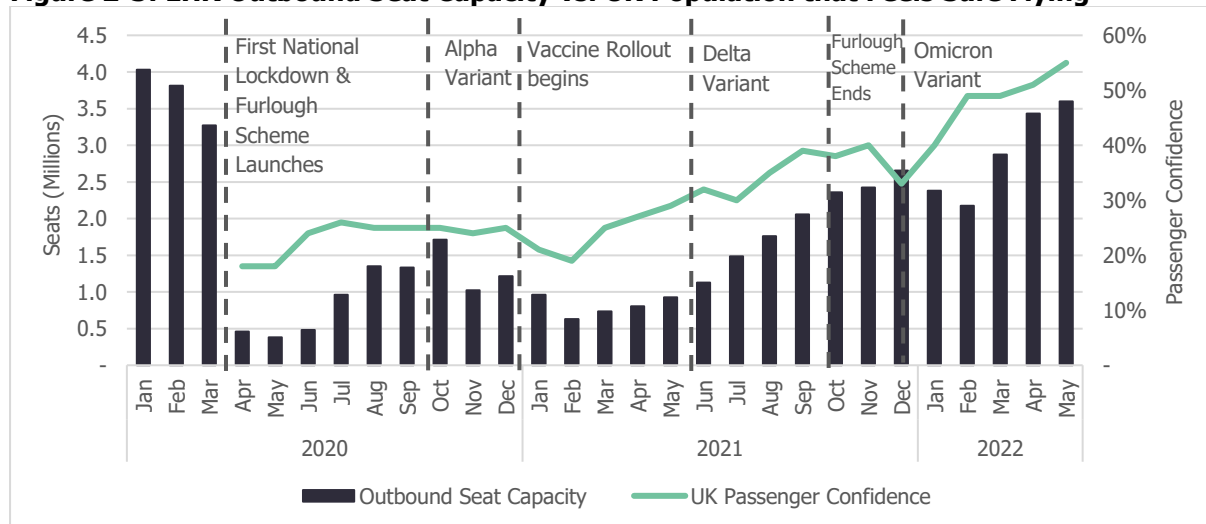
Government Support Measures

Eligible UK companies claimed support measures provided by the UK government were not sufficient to cover the costs of retaining staff, especially within the aviation industry.

The Coronavirus Job Retention Scheme was launched in the UK in March 2020 to support employers while businesses were closed, paying 60% to 80% of workers' wages. In total, 11.7 million employees were furloughed in the UK, amounting to a total cost for the government of £70 billion.⁶ Nevertheless, approximately one million people lost their jobs between April 2020 and June 2021, compared to 550,000 over the same period the previous year.

As the salary contribution from the government reduced, before the furlough scheme eventually ended in October 2021, air travel remained substantially below typical levels as travel restrictions remained in place. November and December are typically the worst months for industry cashflow. Additionally in November and December 2021, passenger confidence was still at a low ebb (see Figure 2-3). In this environment, without further Government support, companies in the aviation industry therefore had little choice but to make large scale redundancies.

Figure 2-3: LHR Outbound Seat Capacity vs. UK Population that Feels Safe Flying



Source: OAG, Deloitte

Note: Passenger confidence is the percentage of survey participants that agreed or strongly agreed to feeling safe flying.

Vetting Process

⁵ Channel Four Documentary, "Airport Chaos Undercover: Dispatchers"

⁶ UK Parliament, "Examining the end of the furlough scheme", November 2021

The industry's stringent anti-terror vetting process appears to be one of the most significant factors delaying those in the aviation sector from rectifying the current staff shortages. Security vetting for new staff operating airside in UK airports includes five-year employment history checks, references, evidence for periods of unemployment, a basic criminal record check, and a counter terrorism check. A spokesperson for London Heathrow Airport reportedly stated it can take from three to six months from recruitment for a new hire to start work due to the extensive vetting and training. According to a source at a UK airport, the process is currently taking even longer due to a newly added vetting stage.

For example, the baggage handling company Swissport has reportedly recruited over 4,100 new staff so far in 2022.⁷ They have almost reached their recruitment targets but have stated they are delayed in placing the new hires whilst waiting for security vetting. EasyJet has recently experienced a three-week delay on 100 new cabin crew starting work due to delays in receiving their ID badges.⁸

Brexit

Brexit has also restricted the potential labour pool available to UK companies in the aviation industry due to the stringent work visa requirements. Traditionally almost a third of jobs in the UK travel industry are filled with European workers. In fact, easyJet CEO Johan Lundgren stated the company have rejected 8,000 job applications from European workers who did not have permission to work in the UK.⁹ However, the UK Minister for Aviation Robert Courts has rejected the claim that Brexit has caused the staff shortages. Additionally, the current issues are not confined to the UK, and so whilst Brexit may have exacerbated the issue, it is unlikely to be the key driver.

Whilst some are calling for visas to be offered to EU nationals as an attempt to recover some of the staff, Robert Courts stated it would be unlikely that EU workers would come to work in UK airports, as other European airports are experiencing similar staffing issues, and so they would probably want to work there instead of the UK.

A similar labour shortage occurred with Heavy Goods Vehicle ("HGV") drivers in the UK, with approximately 70,000 HGV drivers leaving their jobs since the beginning of the pandemic, of which 12,500 were EU nationals. In an attempt to rectify this issue, EU HGV drivers were offered up to 5,000 visas to alleviate the UK's shortage, but only 27 came forward for the visa. This suggests that even if Brexit contributed to the staff shortages, any subsequent visa exceptions will likely fail to relieve the current issues.

NATS Staff Shortages

NATS, the company responsible for most of the UK's air traffic control, are also experiencing staff shortages. During the pandemic NATS protected employees, spending £66 million to ensure furloughed employees received their full salaries.¹⁰ Whilst they employed a voluntary redundancy scheme, the air traffic controllers were not a part of that scheme as NATS recognised they would be needed at full capacity during traffic recovery. Nevertheless, issues arose in maintaining controllers' skills during the pandemic. Rather than undergo revalidation and extra training as traffic began to return to pre-pandemic levels, numerous senior controllers opted to retire.

⁷ Channel Four Documentary, "Airport Chaos Undercover: Dispatchers"

⁸ Sky News, "EasyJet says govt delays in crew security checks are 'adding to flight cancellations'", April 2022

⁹ Independent, "Brexit to blame for airline staff shortages, says EasyJet boss", June 2022

¹⁰ NATS, "Unpredictable traffic poses planning challenges", June 2022

Recruitment of trainee controllers was halted during the pandemic and has still not resumed, adding to the staff shortages. Additionally, the training of recruits was halted over the pandemic as it was not possible to effectively train controllers during periods of significantly reduced traffic. At the start of the pandemic, approximately 122 students who were undergoing training were made redundant. Whilst they have now been offered their jobs back, only around 80 returned.¹¹ Moreover, it will take three years to fully train these recruits – a substantial delay between hiring and having more fully validated controllers.

To address the staff shortage, NATS has increased recruitment across all areas of the company apart from trainee air traffic controllers, for which recruitment will not resume until the training backlog has eased. Additionally, potential plans to start a voluntary overtime scheme for controllers, and to add in an extra shift pattern to target peaks in traffic, are both being considered. These plans will need to be carefully managed to ensure feasibility given the restrictions to working hours and overtime legislated by the CAA.

NATS is facing issues due to the volatility of traffic. The closure of Ukrainian airspace has resulted in flight paths tracking further west than typical, resulting in bottlenecks over Germany. NATS is also suffering from handling more traffic than usual as France undertakes major upgrades to its air traffic control system. Air traffic controllers are only able to operate on specific sectors of airspace, so airspace and re-routing challenges create a particular issue for staffing. Despite these difficulties and staff shortages, in the week ending 10th June, NATS handled approximately 24% of Europe's traffic and only contributed 7% to the delays.¹²

Strike Action

Amid the pay cuts and unpredictability faced by workers at airlines and airports, unions across the aviation industry are calling for strike action. Ryanair's Spanish cabin crew are planning for weekly strike action from August 2022 to January 2023, owing to discontent with working conditions and pay. easyJet cabin crew in Spain are planning to strike for nine days in July, demanding a 40% increase in salaries. Approximately 700 British Airways ("BA") workers at London Heathrow, primarily check-in staff and ground crew, are set to go on strike during the peak summer season, due to a 10% pay cut that was imposed during the pandemic, which has yet to be reversed. Heathrow has made plans to cover these staff shortages with managers working at check-in desks. Nevertheless, disruption and cancellations are expected, especially at BA's main base in Heathrow Terminal Five.¹³

Whilst the airports and airlines are giving advanced notice of these schedule reductions allowing passengers to reschedule any cancelled flights, Skylark believes it is likely that this will have a negative impact on demand over the summer period.

Not only are airports and airlines facing strike action, but in 2022 UK air traffic controllers at NATS held the first ballot for industrial action since the early 1980s. The ballot was held on the grounds of pay, worsening industrial relations with management, and a proposal to end a long standing redundancy agreement. An overwhelming 92% of members voted in favour of taking industrial action. Whilst NATS have since resolved the dispute and have committed to ensuring industrial relations will improve, there is still a lot of work to be done to improve these issues.¹⁴

¹¹ Source at NATS

¹² NATS, "Unpredictable traffic poses planning challenges", June 2022

¹³ BBC News, "Risk of further BA strikes as more staff consulted", June 2022

¹⁴ Source at NATS

The Impact on Airlines

The impact on airlines so far has been mixed. In 2020, BA cut approximately 10,000 jobs, 4,000 of which were forced redundancies, having faced huge losses during the pandemic. This equates to approximately a quarter of the airline's pre-pandemic workforce, and almost a third of BA's cabin crew, ground staff, and support workers.¹⁵

In contrast, Ryanair retained more staff than many other airlines during the pandemic. Instead of making redundancies, they negotiated pay reductions and even resumed recruitment with more flexible contracts in 2021.

As a result, Ryanair has mostly been spared from the disruptions seen amongst other major European airlines. From the 7th May to 6th June 2022, there were 1,288 cancellations in the UK. During this time, Ryanair had three cancellations out of a total of 13,099 departures, yielding a rate of a flight cancellation of 1 in 4,366. Ryanair rival easyJet, however, saw 636 cancellations in the same period, a cancellation rate of 1 in 26.¹⁶ Ryanair have posted profits of £145 million for the three months ending June 2022 compared to easyJet's £114 million pre-tax loss over the same period.¹⁷

Virgin Atlantic has also appeared to have minimised the disruptions so far by re-hiring staff, with the CEO Shai Weiss stating they received 5,000 applications for 400 jobs. Whilst other companies have struggled to receive enough applications to fill the vacancies, as a long-haul airline jobs at Virgin Atlantic are more desirable and better paid than at other airlines. Weiss remarked that Virgin Atlantic is "top of the list" for new recruits who want to work in aviation.¹⁸

The Impact on Airports

Although a complete picture has not emerged to date, a fairly consistent story emerged from the interviews we conducted.

A German airport we interviewed suffered substantial disruption. During the pandemic, salaries were covered by the state up to 67%, with the airports increasing salaries up to 90%. In contrast to the UK, the German policy was not removed before the air travel recovery was underway. Whilst this prevented large-scale redundancies, perceived job insecurity in the sector led to many employees leaving who were not replaced. This, in addition to third parties at the airport not anticipating the rate of increase in demand resulted in a lack of staff in security, ground handling, and passenger handling.

A UK airport we interviewed has also been experiencing disruptions, but the extent of the impact on passengers has been minimised by operational practices. The airport benefits from insourcing labour in security rather than depending on third parties. The airport has therefore been able to use staff from elsewhere in the business to assist in the understaffed functions.

All airports we interviewed experienced difficulty in incentivising people to apply for jobs in security and around airports. These jobs are typically low paid and involve undesirable working hours. Coupled with the long recruitment and vetting processes, and subsequent extensive training results in problems attracting individuals to apply for the vacant positions. Additionally, the current climate of unpredictable recovery could further discourage new hires.

¹⁵ Financial Times, "BA to rehire some of thousands of staff laid off during pandemic", October 2021

¹⁶ The Telegraph, "Love it or hate it, Ryanair is proving its worth this summer", June 2022

¹⁷ Airline Financial Reports

¹⁸ City A.M., "Virgin Atlantic flies above aviation's staff shortages in post-Covid re-hiring spree", June 2022

3 Potential Solutions

The Department for Transport and the CAA has written a joint letter setting out five “specific expectations” for the sector to tackle the current issues:

- Each airline should review plans for the rest of the summer to produce a schedule that is deliverable.
- Schedules must be based on the resources expected to be available and resilient to inevitable and unplanned challenges.
- If cancellations need to be made, they should be done as far in advance as possible.
- Keep the consumer informed.
- Airlines, ground handlers, air traffic control, and UK Border Force should work more closely to try and overcome problems.

As previously discussed, various airlines and airports have set a cap on traffic for the peak periods of July and August to manage disruptions. Additionally, there is a chance that the current cost of living crisis may reduce demand, making the summer season more manageable. In fact, Morgan Stanley anticipates travel demand in the US to ease going into the summer period. Based on results from a survey it conducted, travel intentions have decreased to January levels with 53% of consumers planning to travel in the next six months, compared to 58% earlier at the beginning of June and approximately 64% in summer 2021, making demand potentially more manageable.¹⁹ A survey conducted by Leger and the Association for Canadian Studies found that 18% of Canadians and 13% of Americans have substantially altered their summer travel plans due to the current travel disruptions.²⁰

Some airports are trying to fill the staff shortages and incentivise new hires by increasing salaries. For example, Luton Airport have increased security worker salaries by 9.2%.²¹ Glasgow Airport security staff have also been granted a 15% pay increase.²² Airports with in-house security have also been addressing the staff shortages in the short-term using management to step in for the unskilled jobs.

Progress has also been made to accelerate the vetting of new employees. In an announcement on 3rd July 2022, the UK Department for Transport claimed to have halved the length of the vetting process, with approximately 97% of Accreditation Checks being completed in an average of five days, and Counter Terrorist Checks processed in less than ten days, compared to the average turnaround of 20 days seen in March before aviation applications were prioritised. In the last week of May, the UK government also announced a twenty-two-point plan, including strategies to help recruit staff and deliver realistic schedules.²³

¹⁹ Seeking Alpha, “Morgan Stanley sees travel plans easing”, June 2022

²⁰ Capa, “Airport Delays and Economic Recession”, July 2022

²¹ Luton Today, “Luton Airport workers celebrate ‘substantial’ pay increase”, February 2022

²² Glasgow World, “Union secures 15% pay rise for Glasgow Airport workers”, June 2022

²³ Gov.uk, “Aviation security checks accelerated as government helps industry minimise travel disruption”, July 2022

4 Conclusion

Although many of the headlines associated with the current air travel disruptions have blamed airports and airlines for failing to anticipate what was a fairly predictable surge in demand, our analysis and interviews suggest a much more nuanced picture. In particular:

- High rates of Covid-19 is resulting in high levels of last minute staff sickness in the aviation industry.
- Aviation is often not now regarded as an attractive or stable industry to work in given low pay and unsociable hours.
- Most aviation businesses are in the private sector often operating on thin margins. After Governments withdrew financial support in late 2021, at the weakest point in the season, businesses had a choice between cutting staff or becoming unfinanceable.
- Government vetting processes for recruiting staff have effectively broken down with unsustainable gaps between job offers and start dates.
- In general there is a well-publicised shortage of labour. In the UK this has been exacerbated by Brexit.

Airports and airlines have responded creatively to these problems but structural issues are so entrenched that disruption has occurred, although not to the extent that critics have alleged. In the longer term the main legacy is likely to be an increase in the industry's cost base, which is already feeding through to fares and a lower rate of growth

The progress made so far in accelerating the long vetting process for new employees and the caps on flights made by airports and airlines will help reduce the scale of disruptions over the peak summer period. Nevertheless, Skylark believes the disruptions to services and cancellation of flights, even in advance, will materially impact travel demand through the remainder of 2022. Whilst customer demand has been recovering, structural issues across aviation employers will result in a slower and lower level of recovery in 2022 and potentially continue into 2023.

Further Contact Information



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