



Professional flight training faces crisis

Safety and even airline profits suffer as we run our flight training industry onto the rocks. Pat Malone reports

Britain's professional flight training industry is heading into a 'perfect storm' of increasing costs, rapacious taxes and powerful overseas competition while student numbers dwindle as young people are put off by the exorbitant price of entry, falling salaries and declining career satisfaction in the airlines.

Safety will ultimately be affected as pilot training in the UK becomes increasingly available only to a rich elite – an integrated ATPL course with a type rating will cost a student as much as £130,000, and he or she must commit the money without any guarantee of a job at the end of it. Most of the best and most capable candidates simply can't afford to choose the airline pilot's career path, reducing the overall quality of the pilot population and eventually adversely affecting operational safety.

The situation has become so parlous that a crisis meeting of the major players in the flight training industry was called at the Royal Aeronautical Society in London early in September to decide whether there is a realistic prospect of training British pilots in Britain in future, and if so, how that might be achieved.

The meeting was called and jointly chaired by Charles Henry, Chairman of Cabair and Peter Moxham of BBGA, and attracted some 40 of the big beasts of the industry including

Christopher Clarke, Chairman of CTC, Anthony Petteford, Managing Director of Oxford Aviation Academy, Jim McAuslan, General Secretary of Balpa, Caroline Evans, Balpa's Head of Flight Safety, Brian Watt, head of crew training at Flybe, John Monks, head of pilot recruitment at British Airways, Ian Cheese, General Manager of Flybe's turboprop fleet, Richard Bristowe of Aviation South West, and many more. AOPA was represented by Martin Robinson, the BBGA by Guy Lachlan, GAPAN and the RAeS by Hugh Dibley and Phil Smith. Invited politicians stayed away.

The picture that was painted is not pretty. Anthony Petteford set out the obstacles faced by a young man or woman who wants to be an airline pilot. The integrated course costs

about £66,000; add to that £6,000 in CAA fees, £32,000 for a type rating, finance costs and living expenses and the total is around £130,000. VAT is a major component of that, and is not recoverable by the self-sponsored. Salaries are being driven down by the recession and the low-cost airlines – in some cases, qualified people are having to pay to fly. Other professions are increasingly attractive to those who should be aspiring to become airline pilots.

Affordability has become the major barrier in Britain. In some other European countries there are government-backed soft loans for student pilots, VAT is recoverable, and training costs can be paid off during employment – none of these are available in the UK. "We charge less for an integrated course than we did in the past, but the break-even is rising and we cannot reduce it further before our investors start to wonder whether their money wouldn't be better off elsewhere," Petteford



Top: Oliver Desforges, now flying a Dash-8 for Flybe and based in the Isle of Man
Right: Flybe – one of the few airlines actively engaged in the training of pilots

Arpingtonstone

said. CTC's Christopher Clarke added that of 3,000 applicants the company had for integrated courses, 90 percent of students found they could not qualify for bank loans.

"It's almost a perfect storm," said Clarke. "Only the wealthy can afford the loans they need to train for years to get into a profession in which salaries are falling. If you have a choice between going into The City and doing two years' training for a job where in some cases you can pay to come to work, what are you going to do?"

A presentation by Jane Desforges, who started the campaigning group Fairplane, illustrates the extent of the problem. Jane's son Oliver was part-sponsored at FTE, and Jane had thought his training would be similar to that of a doctor or a lawyer. She was in for a shock. "We had to find £60,000 and we had six weeks to find it," said Jane. "We are a working class family and we found there was no government help. We took out a second mortgage and he started his training. There was extra pressure on him because he was acutely aware that if he failed, he couldn't pay us back.

"We thought he would be eligible for a student loan but he couldn't even get a student bank account. I phoned Balpa, and they told me there was no help available. Then the recession began, the pound plummeted and suddenly we were £15,000 short. The second mortgage had taken us to 100 percent of value



actively engaged in the training of pilots – stressed that the quality of students would suffer if the current situation continued. "There's a benefit to the industry if the best possible people have access to the funding required," he said. "There are people who are really capable but will never be pilots because it's too damned expensive."

At the meeting it was generally agreed that in the current climate, trying to get the government to zero-rate VAT on professional flight training was pointless. The government's level of understanding of the issues was illustrated by a letter sent by David Willetts, Minister for Universities and Science, on August 2nd which said the government does its bit by paying for the training of 250 military pilots a year, and addressing the issue of 'covering the cost of hours-building leading to the issue of a commercial licence.' Willetts clearly will have no clue just how ignorant this sort of twaddle makes him look, but he ought surely to have caught up with the fact that the self-improver route was shut down more than a decade ago.

Trying to strike up a sensible debate with people like this is not for the faint-hearted. The government does not care whether there are British pilots in British cockpits in future. It was agreed that the primary target has to be the airlines – but trying to interest them in their pilot needs two years down the line at a time when some of them were coming to work

Left: Jane Desforges at the House of Commons with supporter Lembit Opik, then an MP

and wondering how to get through the next two hours and two days was uphill work. Some of them might not, in fact, be around in 18 months.

Tax breaks available under existing legislation could be the answer. Anthony Petteford said: "There is legislation that enables both student and airline to save money, and it's through personal taxation. The employer airline may repay the expenses that an individual incurs, if he was incentivised to enter the profession through a conditional offer of employment. The airline is permitted to repay these expenses at the end of the course, gross of earnings. Thus they save the taxable element. So the airline saves about 11 percent on the salary, and the student saves about 30 percent. This is under existing tax legislation, but there has to be a conditional job offer at the beginning – that is the key to all of this."

Guy Lachlan, Chief Executive of the BBGA, asked how we got ourselves into this mess in the first place. Why did the airlines stop training pilots? Had they not done so, VAT on the cost of training would have been deductible and the cost set against tax. Brian Watt of Flybe talked of the changing nature of the industry over the years, with the rise of the low-cost airlines being a particular sea change. "Everything has to be cut to the bone," he said. "Some of the low-cost operators charge pilots to come and work for them. That's not sustainable, but they just need to sustain it for now. Flybe is one of only two airlines that made a profit last year, and it wasn't the kind of profit you blow on flight training."

Jim McAuslan of Balpa said airlines were not committing to pilot training because they wanted to offload the risk. "Ryanair has offloaded its risk to Brookfield, with their pilots becoming self-employed through a Dublin intermediary. They get a phone call if they have a day's work, no phone call means no

work. It's like the bad old days of dockside labour. Others may follow suit.

"But it's a short-term gain because when the wheel turns and there's a pilot shortage, the boot's on the other foot. At Balpa we could say, the devil mend the airlines, if you're not going to invest in pilots we'll drive up the cost of labour – but that's a very short-term view and we are fully behind a structured and properly underwritten training regime that provides the best quality pilots to the airlines.

"The whole salary sacrifice thing is under-explored. It seems to offer a way forward, and we need to be creative in proposing a package that the airlines can get behind."

The meeting came round to the consensus that the airlines needed to be convinced that if they wanted to ensure a supply of high-quality pilots, they had to commit to pilot training, and they could even make a profit on the deal. Christopher Clarke of CTC said: "The airline industry is building a disaster case for itself. I can think of at least three airlines with a lot of money in the bank, and they could get a better return on it by sponsoring students."

Charles Henry suggested the formation of a smaller sub-group to identify the precise tax processes by which airlines might profit financially from sponsoring students, and to present that information in spreadsheet form to the airlines at Chief Financial Officer level. "We must devise a model that will pay the airlines a profit, and if we can do that, they are going to listen to us" he said. "If we can save post-tax money, perhaps £24,000 on a £60,000 course, then if we split that with the airlines they've got a profit."

Christopher Clarke outlined the tax savings that airlines can expect from paying pilots lower salaries as part of a bonding arrangement, which include 10 percent National Insurance. He had given this information to airlines in the past, he said: "When I present a paper to an airline to say how they can save £1 million a year, I can't understand the negative response."

The sub-group is asked to come up with a solution that takes account of all tax advantages to airline involvement in pilot training and to collate it in such a form that it can be presented at Chief Finance Officer level using Price Waterhouse or Ernst & Young to affirm its credibility. It would assure the airlines of the pilots they require while costing airlines nothing. Such a scheme would have the added advantage of making pilot training accessible to a wider spectrum of the population, thus addressing politicians' cherished issues of social mobility; the government may even be willing to lean on the banks to loosen up on loans, which would win the government brownie points for protecting a high-skills industry while costing them nothing.

The sub-group will include John Monks (BA), Brian Watt (Flybe), Christopher Clarke (CTC), Jim McAuslan (Balpa), Anthony Petteford (OAA) Peter Moxham (RaeS, GAPAN), Martin Robinson (AOPA), Charles Henry (Cabair) Jane Desforges (Fairplane) and Guy Lachlan (BBGA).

Charles Henry concluded by saying he'd been involved in efforts to improve the training picture since 2002, when a meeting was arranged with the Treasury Minister Dawn Primarolo to explain the socially exclusive nature of the current set-up and to impress upon her the fact that training was much cheaper in the USA, Spain and elsewhere.

"Well, go there then," said the Minister. ■

