

# BREXIT

## Call for an immediate aviation agreement to keep skies open

### ERA warns of airport and airline closures and huge damage to local economies

#### 1 Introduction

ERA (European Regions Airline Association) represents 50 airlines based all around Europe. In September 2017, ERA released its position paper on Brexit, detailing the position of the association on the future air transport relationship between the EU and the UK. The paper was designed to assist policymakers and those involved in the negotiations regarding the future aviation arrangements between the EU and the UK. For ERA member airlines and the wider aviation community, several critical questions remain unanswered and now, with so little time remaining before the negotiation deadline of 29 March 2019, it is essential that a wide-reaching aviation agreement is urgently reached between the EU and the UK. A 'no-deal' outcome could have disastrous consequences for the aviation industry, including the grounding of many flights across EU countries and the UK, and this paper again highlights the critical key actions that ERA believes should be taken immediately to prevent these consequences.

#### 2 No-deal scenario

In the event of a no-deal, 100 per cent of ERA member airlines will be affected significantly either directly or indirectly in their operations - this is 50 airlines operating all together 1.8 million routes in Europe.

The directly affected category applies to members with cross-border operations, totalling to 46 per cent of ERA member airlines. The indirectly affected category applies to 24 per cent of ERA members feeding regional traffic into a hub or a national airport, connecting those passengers (or cargo) on cross-border carriers. If Community carriers are denied access to the UK market, demand on the regional carriers will decline, eventually causing European connectivity to suffer enormously in a manner that will inflict serious harm on local communities. This is in direct conflict with the EU's Aviation Strategy.

The combined cargo, charter & ACMI ops category that covers 30 per cent of ERA members providing cargo, charter and ACMI services will be affected as a result of 'cross-border' services. Those affected are both UK-based and EU-based carriers. The complications for cargo operations arise with future customs processes and whether that framework will support operators' financial objectives.

#### 3 ERA's position

ERA's position on Brexit remains unchanged and the association's key focus is on ensuring open and free traffic rights for all EU and UK carriers between the EU and the UK. ERA is also focussing on ensuring that EASA regulations continue to apply to UK carriers and that the EU and UK carriers can continue to freely lease aircraft to each other without prior approval. As ERA's Brexit position paper released in September 2017 outlined, ERA recommends that, as a minimum, the agreement should include the following:

- a. An EU–UK bilateral agreement comprehensively guided by and in the spirit of EU Regulation 1008/2008. This would allow minimum disruption to services currently operating within the European region to and from the UK.
- b. In the bilateral agreement, particular attention should be given to protecting the following principles included in EU Regulation 1008/2008:
  - Article 4 (a); (b); (f) – the conditions for granting an operating license;
  - Article 6 (1) – the requirements to obtain an air operator certificate;
  - Article 13 (1) – the provisions on leasing; and



- Article 15 (1) – the provisions on intra-community air services.
- c. Continued application of EASA regulatory standards to UK operators and undertakings to support common safety compliance and a competitive, harmonised supply chain (for aircraft parts and materials) across the wider European region.

**The last two points are absolutely critical and not addressing them urgently may have tremendous consequences such as grounded airlines and closed airports.**

#### **4 Critical issues**

An extensive report<sup>1</sup> published by the International Air Transport Association (IATA) discusses multiple critical areas of aviation on which a 'no-deal' outcome would have a significant impact. These areas include air services agreements, aviation safety and security framework, border management and environment.

According to IATA's report, in the case of 'no deal', there would be no time to negotiate a **comprehensive Air Services Agreement** between the EU and UK and it is assumed that a 'bare-bones' agreement will be implemented to ensure at least a basic level of air connectivity. The restrictions this contains regarding market access and the degree of regulatory convergence or mutual recognition it assumes could fall anywhere on a wide spectrum of outcomes. Regarding the **safety and security framework** (EASA), the UK would immediately cease to be a member of EASA and interim measures would need to be applied to ensure a rudimentary short-term continued recognition of standards equivalence if basic operations were to continue. Border management would have greater levels of uncertainty over the customs and immigration processes to be applied post March 2019 in a 'no deal' scenario, having consequential impacts for passenger facilitation, cargo and aircraft parts.

On the environment, the report states, a 'no deal' scenario could have the implication that a UK government position on the future approach to carbon policy for aviation and the potential to continue to apply EU-ETS rules or similar would need to be reached sooner.

#### **5 The US–EU–UK aviation market**

A comprehensive transitional arrangement between the UK and the EU is vital for the continued operation of flights and the aviation market between the US, EU and the UK. Statistics produced by US aviation trade body Airlines for America (A4A) show that in 2017, over half of the 15 million passengers between the US and the UK were destined to or originated from the EU27. Furthermore, the report says that US–UK air travel represents nearly one third of all US–EU passengers flying annually. These statistics highlight the complexity of the situation and further demonstrate the wide-reaching impact a 'no-deal' scenario would have on the aviation sector.

In addition, A4A has published a report entitled 'Preserving connectivity post Brexit' which emphasises the importance of the UK remaining part of EASA to ensure a mutual recognition of safety standards and the smooth functioning of the European aviation market and the transatlantic market. The UK and the EU should strive to maintain the closest possible co-ordination and co-operation on safety in their future aviation agreement.

#### **6 Conclusion**

A number of documents, including the EC stakeholder notices and UK's technical notices which set out plans in case the UK leaves the EU without a deal, have been distributed to aviation stakeholders with an aim to prepare them for different scenarios. Now is the time to definitively confirm the agreements that protect the established pillars of European aviation. There is clear evidence that improved air connectivity is a precondition for sustainable economic growth and an integrated aviation market in Europe has yielded significant benefits to the EU and the wider European market. Excluding the UK from an integrated aviation sector for political reasons would hurt EU consumers and businesses, and, we would argue, is not in the interests of the wider European region. ERA urges the EU and the UK to place the agreement for aviation as the highest priority and to reach an agreement as soon as possible that will allow airlines to continue operating as they do today and which enables Europeans to continue enjoying the benefits of affordable and stress-free travel.

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<sup>1</sup> <https://www.iata.org/policy/consumer-pax-rights/Documents/iata-brex-it-study.pdf>



## QUOTES

### **Andrew Kelly, Group Director, Corporate Affairs, ASL Aviation Holdings and President, ERA**

*“There is a level of complacency on all sides regarding the future of aviation in the UK and EU that is very difficult to understand. Despite all the debate about the ‘deal’, a hard Brexit or perhaps no Brexit, there seems to be an ‘it will be all right on the night’ attitude to aviation that we may all come to regret. There is a very real possibility that aircraft will not be able to fly, that connectivity will be shattered and that business and the economy generally will suffer with passengers and cargo effectively grounded.*”

*“Even if there is a deal there is a lack of clarity about EU ownership rules that could potentially ground big and small airlines alike, unless there is some form of moratorium. Yet, we get the sense from the politicians and officials that on the morning of March 30 the aviation industry will wake up and go to work as usual, even if there is a hard Brexit. It won’t, it can’t and the UK and EU need to wake up to that fact now, before it’s too late.”*

### **Martin Isler, Executive Vice President Airline at Luxair**

*“Obviously we are worried about Brexit at Luxair. LCY is our most important route; we fly it up to seven times a day. Should we lose traffic rights from one day to another, it would be catastrophic for us and our customers. Also, we are concerned about the validity of licenses and certificates. Some of our exclusive suppliers for our Bombardier aircraft are UK based. We procure numerous spare parts from the UK and use UK training facilities. A hard Brexit would cause important and costly disruptions with our operations.”*

### **Bernard Lavelle, Aviation Business Development Director at London Southend Airport**

*“Aviation is key to the effective functioning of the UK and indeed EU economies. As part of ERA, London Southend Airport urges all parties to focus on ensuring the retention of open skies so that the UK and the key London market in particular remains fully open for business, making it as easy as possible for people to come and do business in UK or to advance trade opportunities overseas.”*

### **Jörg Troester, Head of Corporate Strategy, Industry and Government Affairs at Hahn Air**

*“The United Kingdom will be leaving the European Union and not Europe. In today’s global economy, no country is an island, meaning interdependences, multi-lateral operations and cross-border co-operations are everywhere. The consequences of a country leaving a state union such as the EU are affecting every single area and aspect of economy and are posing unprecedented challenges to all industries, but especially to the travel and airline industry. The recent Brexit negotiations show that the magnitude of this decision was not fully considered by those responsible for the Brexit movement. In the interest of the United Kingdom and Europe, let’s hope that satisfactory agreements still can be reached to ensure open and free traffic between the EU and the UK.”*

### **Peter King, ERA’s Finance Director and Adviser to the ERA Board**

*“Decision makers must fully consider the financial implications of Brexit for the aviation industry. So many critical areas of aviation are potentially affected and it is vital that, for aviation operations, a status quo remains. A framework must be put in place as a matter of urgency to provide clarity for airlines and all the other key stakeholders in the aviation industry, and the EU and the UK need to seek close cooperation on this to maintain European connectivity and lower costs for consumers and airlines.”*

