



Department  
for Transport

# UK Air Services and “Brexit”





## Air services to/from the UK

- ▶ We have the largest aviation network in Europe and the third largest in the world, handling over 250 million passengers and 2.3 million tonnes of cargo last year.
- ▶ The UK has direct connections to over 370 international destinations.



## The potentially huge impact for aviation of leaving the EU (i)

Aviation is inherently international and highly integrated across the EU. Aspects affected include:

- ▶ Air Traffic Management
- ▶ Emerging technology
- ▶ EU-ETS and carbon emissions
- ▶ Environment - Noise and air quality

Continued.....



## The potentially huge impact for aviation of leaving the EU (ii)

- ▶ Passengers & consumer protection
- ▶ Safety regulation and enforcement
- ▶ Pilot licensing
- ▶ Repair and maintenance agreements
- ▶ Security
- ▶ Slots, state aid, economic regulation

But perhaps the biggest immediate impact will be on.....



# The UK's International Air Services Relationships

- ▶ The UK's access to the EU/EEA/CH internal aviation market comes from our membership of the EU, and,
- ▶ much of the UK's market access *beyond* the EU is also dependant on our membership of the Union.

## UK international air services relationships

Type of air services arrangement	Number of countries that UK has an air services relationship with through each type of arrangement
Traditional bilateral Air Services Agreement (ASA)	111
EU internal aviation market (EU Member States)	27
EU internal aviation market (EEA Member States)*	3
EU internal aviation market (CH)	1
EU internal aviation market (ECAA Agreement)**	6
EU comprehensive agreements with Third Countries***	7
	155

\* European Economic Area - Norway, Iceland and Liechtenstein  
 \*\* European Common Aviation Area - Albania, Bosnia & Herzegovine, Macedonia, Montenegro, Serbia, Kosovo  
 \*\*\* Canada, Georgia, Israel, Jordan, Moldova, Morocco, USA



## UK Air Services and “Brexit”

- ▶ Maintaining this market access is a very high priority for DfT.
- ▶ Going forward, much will depend on the UK’s wider EU exit strategy, and the willingness of our international partners to cooperate.



## Government-Industry “round table”, November 2016

Joint statement (extracts) from the Secretary of State for Exiting the EU, the Secretary of State for Transport and the Chief Executive of Airlines UK :

*“Aviation is absolutely crucial to the UK’s economy and building a global Britain that seizes the opportunities exiting the EU presents.”*

*“We will work closely together to ensure that this international industry continues to be a major success story for the UK economy ..... and better understand what risks and opportunities exist”*

*“We also share a determination to give as much early certainty to the sector as possible”*

*“Market access remains a top priority”*

*“ “We want to work together to ..... ensure that the industry – and therefore the country – remains prosperous and open for business.”*



## Why do international air services matter?

- ▶ international connectivity helps to generate the links that drive international trade, facilitating growth,
- ▶ UK citizens want to travel abroad,
- ▶ foreign tourists make a significant contribution to the UK economy,
- ▶ business for airlines, airports, manufacturers and service providers – generating UK jobs and tax revenues.





## What outcomes are we seeking?

Maximisation of market access, post exit, delivering:

- ▶ world-class international connectivity to/from the UK,
- ▶ choice and value for money,
- ▶ ease of doing business, and,
- ▶ safe, secure and environmentally sound air transport



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## Post-“Brexit” Market Access (i)

- ▶ Our focus is on outcomes, and,
- ▶ we have no pre-conceptions about how these should be achieved.

However.....



## Post-“Brexit” Market Access (ii)

By way of illustration, market access post “Brexit” could be maintained by:-

- ▶ continued participation in the EU internal aviation market,
- ▶ some form of EU-UK Air Transport Agreement,
- ▶ new bilateral arrangements with EU/EEA states,
- ▶ commercial actions by carriers to retain their market access,
- ▶ nothing in place on day UK leaves, but air services continue on basis of reciprocity.

And, of course .....



## Post-“Brexit” Market Access (iii)

- ▶ we could well end up with a combination of different solutions and,
- ▶ in addition (and in parallel with our work on European market access) we will need to make alternative arrangements in lieu of EU comprehensive agreements with Third Countries.



## Continued participation in the EU internal aviation market (i)

- ▶ Norway, Iceland (and Liechtenstein) participate in the EU internal aviation market through their membership of the EEA
- ▶ Switzerland enjoy similar levels of access to the internal aviation market through a bespoke, air transport-specific, arrangement with the EU.
- ▶ Balkan states have access through the ECAA agreements.

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## Continued participation in the EU internal aviation market (ii)

- ▶ Whether or not the UK can secure continued participation in the internal aviation market will depend on the UK's wider EU exit strategy.
- ▶ That strategy is still emerging. However, it is likely that any negotiations will be complicated and take time.
- ▶ In order to secure continued participation in the EU internal aviation market, the UK could well, amongst other things, have to pay for the privilege and accept various conditions.

Continued.....



## Continued participation in the EU internal aviation market (iii)

- ▶ In this specific context, the EU aviation *acquis* would be a pre-requisite for participation.
- ▶ If the UK was able to secure participation, we might have no direct say over the ongoing formulation/development of the *acquis*.
- ▶ In essence, Norway, etc, participate in the internal aviation market (for a price), without any say over the rules that apply.



## EU-UK Air Transport Agreement (i)

- ▶ The EU currently has 7 comprehensive, multilateral, Air Transport Agreements in place with Third Countries, and,
- ▶ the Cion holds formal mandates to negotiate further such agreements.

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## EU-UK Air Transport Agreement (ii)

- ▶ Some form of multilateral, UK-EU Air Transport Agreement might restore at least a degree of market access post exit:-
  - ▶ for instance, it might allow UK carriers to operate from any point in the UK to any point in the EU without any restriction on frequency,
  - ▶ it might also include some “Fifth Freedom” traffic rights, but
  - ▶ securing “Seventh Freedom” and/or “cabotage” rights could well be challenging (other EU Member States have strongly resisted granting such rights to third countries in the past).

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## EU-UK Air Transport Agreement (iii)

- ▶ Even if the EU and all its Member States are willing to negotiate:-
  - ▶ historically, it has taken some years to successfully negotiate and conclude such deals, however,
  - ▶ questions of regulatory convergence (often a sticking point) could be relatively straightforward since our starting position is the *acquis*, and
  - ▶ discussions about traffic rights would be challenging, but the UK would have considerable negotiating capital.



## New bilateral arrangements with EU/EEA states (i)

- ▶ Prior to the EU internal aviation market, the UK had traditional, bilateral, Air Services Agreements – ASAs - with most, but not all, EU/EEA/CH states.
- ▶ Those ASAs have been superseded, but, in any case, they could no longer be considered fit for purpose.

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## New bilateral arrangements with EU/EEA states (ii)

- ▶ If it is not possible to negotiate participation in the single market or a EU-UK Air Transport Agreement, a (sub-optimal) fall back could be to seek new bilateral ASAs with EU, etc, Member States. However:-
  - ▶ no guarantee that EU/EEA/CH Member States would be content to revert to a bilateral approach,
  - ▶ some question marks regarding those States' legal competence to negotiate bilaterally with the UK,
  - ▶ levels of market access would, almost inevitably, vary from ASA to ASA, and, negotiations could well be time-consuming.



## Commercial actions by carriers to retain market access

- ▶ Carriers' participation in the EU internal aviation market is pinned to ownership/control etc
- ▶ Carriers will, no doubt, look carefully at the structure and location of their businesses in the light of "Brexit"
- ▶ The need for any such changes could well depend on what sort of post-exit market access arrangement(s) the UK is able to secure



## No formal arrangements in place

- ▶ Even with no formal market access arrangements in place, air services might well be able to continue (on the basis of reciprocity) pending conclusion of formal arrangements.
- ▶ The extent to which this might be possible would depend on our international partners.



## Air transport arrangements with third countries (i)

- ▶ It is not just the UK's access to European markets that currently depends on EU membership.
- ▶ The EU has also negotiated various multilateral Air Transport Agreements with third countries.

Continued.....



## Air transport arrangements with third countries (ii)

- ▶ When the UK leaves the EU, it will cease to be party to those multilateral agreements automatically and will have to negotiate new arrangements with those countries. Options include:-
  - ▶ seek to accede to the EU agreements as a third party, or
  - ▶ negotiate new arrangements to secure market access with the countries involved.





## Other market access implications for industry (for example....)

- ▶ UK exit could mean that UK carriers will require:-
  - ▶ Part TCO authorisation
  - ▶ Operating Permits for services to/from Europe
- ▶ Ownership and control considerations will also have a bearing on any new arrangements.



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## Timing

There must be a risk that new arrangements cannot be concluded before the UK leaves the EU – creating legal uncertainty and perhaps curtailing our ability to further develop air services.



## Business as usual

- ▶ All of this is in addition to existing aeropolitical work – for instance:
  - ▶ Day to day “doing business issues” associated with international air services
  - ▶ Review of “model” texts
  - ▶ Ongoing ASA negotiations – e.g. China, ICAN, etc.
  - ▶ Policy engagement with ECAC and ICAO and,
  - ▶ For now at least, IASED will continue to engage as normal with EU fora.



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