Brexit: the first moves

Now that Brexit negotiations are underway, Caroline O'Sullivan, ERA Manager Policy and Technical looks at potential changes for the industry and the association's work to minimise disruption to its members

The EU and the UK began historic negotiations on 19 June 2017 to facilitate the orderly withdrawal of the UK from the EU after over 40 years as a member state. Initial discussions (Phase 1) have revolved around three key policy areas: the mutual rights of British citizens living in the EU and those of EU citizens living in the UK, the financial settlement (also known as the 'divorce bill') and the Irish border. It has been agreed (reluctantly), by both the EU and the UK negotiators, that an accord will need to be reached in terms of these fundamental areas prior to further negotiations, leaving industry on both sides of the channel anxious and frustrated.

The European Regions Airline Association published its Brexit policy paper at the beginning of September. ERA is promoting Brexit as a European problem that needs an agreement for aviation before the UK formally leaves the EU. ERA's position is focussed 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 the UK carriers and that the EU and UK carriers can continue to freely lease aircraft to each other without prior approval.

ERA continues to monitor the proceedings closely, whilst engaging with UK regulators and EU Task Force Internal Market and Sectoral policies cluster representatives. The future of the European aviation landscape is far from clear, as policymakers struggle with political imperatives over well-established aviation regulation and legislation.

Potential disruptions

If there is no legal foundation established to underpin aviation in the EU and the UK by autumn 2018, scheduled flight operations face severe disruptions. Disrupted networks will negatively impact revenue optimisation throughout the industry, given the integral nature of network design in the minimising of costs and profit maximisation. Autumn 2017 is now upon us, with consumers thinking about booking travel abroad in 2018. However, with no agreement in place and uncertainty prevalent, demand will be stifled. Strategic vulnerability will plague the European network until such time as an agreement is reached.

The UK leaving the EU is yet another unpredictable factor, along with market demand, aerodrome capability and inclement weather, to name a few, affecting revenue optimisation due to its non-deterministic behaviour. Moreover, although economic and regulatory forces have driven network evolution in the past, scheduling design over the next 12 months and beyond will be subject to political decisions and influence, with uncertainty as negotiations swing from one side to the other. One can only hope that the European region can negotiate terms without the need for external influences, which would only set European aviation back 70 years.

Mitigating the effects

Without agreement from both parliaments, the strategic planning efforts of all involved will be in vain. Although some projects can use tests and modelling to ensure timely, cost-effective outcomes, particularly where precedent exists, Brexit has no precedent. This has led to many businesses preparing to move operations; it is not unreasonable that panic amongst vendors, suppliers and stock markets alike will become commonplace both globally and in Europe.

For the regional aviation industry, contingency response plans, along with dispensation from regulators, must therefore be readily attainable by airlines and airports affected, to combat the potential ensuing European aviation crisis, as highlighted by speakers at the TRAN committee hearing that took place in July on 'the impact of Brexit on aviation'. Further, the industry must be cohesive in calling for the expedition of cross-functional collaboration and implementation of policy and regulation. Both the EU and the UK governments must anticipate industry resistance to change and prepare to manage that resistance.

ERA continues to be actively involved in lobbying the UK and EU aviation policy representatives to mitigate the effects on the association's members. ∎

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