

Brexit - The Implications for Airports and the Aviation Industry

What this paper is about

The paper provides a summary of the implications and key issues raised by the industry arising from the UK's decision to leave the EU.

Points for discussion

- To highlight particular issues of concern to individual ACCs and their airports (as well as the devolved administrations)
- To identify whether there are any common issues that need to be brought to the attention of the new Government.

Points for possible action

Dependent on the discussion and feedback given at the meeting.

What is the issue?

1. Britain has the largest aviation network in Europe and the third largest in the world. Aviation is a vital economic sector, creating a million jobs, bringing in tax revenues and facilitating business links for the UK's exporters. Airlines based in Britain can operate flights from, say, Spain to Germany without the aircraft ever touching down at a British airport. A good example of the benefits from being part of the EU is that EasyJet, now the UK's largest airline, would probably not even exist if it had not been for the EU.
2. The EU has also seen the creation of a common system of Passenger Rights. The UK's membership of the EU has given travellers many highly beneficial rights and protections, including visa-free travel and access to free or reduced cost healthcare via the European Health Insurance Card (EHIC), which was used over 215,000 times in 2015 by UK citizens, airline passengers can claim compensation for delayed and cancelled flights anywhere in the EU and the needs of disabled passengers and others in need of assistance catered for.

The Single Market & Aviation

3. Aviation is quite a unique sector as it is separate from trade agreements and does not form part of the World Trade Organisation (WTO) system. Instead, countries negotiate bilateral or multilateral air services agreements to provide airlines with the legal rights to fly to certain places. These can be very restricted (e.g. one flight a week to a specific airport only) or very liberal (anytime, anywhere).
4. The European single market refers to the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods and services. These freedoms of movement also extend to workers and capital and provide significant economic opportunities and benefits to industry. This is especially true for the European aviation and aerospace industries that over the last generation has also been on a journey of regulatory harmonisation and standardisation for a generation (first through the Joint Aviation Authorities [JAA] and later the European Aviation Safety Agency [EASA]), as well as through Eurocontrol in the air traffic domain. Additionally there is the European Common Aviation Area (ECAA), which aims to allow gradual market opening between the EU and its neighbours linked with regulatory convergence through the gradual implementation of EU aviation rules to offer new opportunities for operators and wider choice for consumers.
5. To enable the UK's connectivity to continue and to grow, the UK will need to negotiate a new air services agreement with the EU and agreements with countries like the US to replace the existing EU-level agreements the UK is part of. If there are no such agreements by the time the UK leaves the EU, the UK's connectivity will be undermined and its ability to trade will be made significantly more difficult.
6. The problem is that leaving the EU's single aviation market could potentially mean losing the operating rights that come with it — both in Europe and around the world. It is vital therefore that the Government in negotiating new terms agreements are put in place to replace operating rights and passenger rights.
7. There have been many media reports about the potential implications such as the cost of flights to Europe increasing significantly unless a post-Brexit aviation deal is put in place urgently due to how much advanced planning is needed to formulate airline timetables. The industry is therefore urging the Government to prioritise the aviation sector in its Brexit negotiations. It is claimed that regional airports and their passengers stand the most to lose, and whatever the election result, the Government must act to provide certainty by committing to prioritise aviation in its negotiations.

The Great Repeal Bill

8. The Government has committed to delivering an orderly withdrawal from the EU and is preparing to introduce the Great Repeal Bill, which will preserve the EU acquis on the domestic statute book. This will ensure that the rules and laws that apply now will, where possible, continue to apply. This gives the maximum possible certainty to individuals and businesses about their legal rights and obligations, and provides the basis for a smooth and orderly exit.

9. The UKACCs Secretariat has already sought advice from the DfT about the EU regulations for PRMs and has been advised “The Government takes the rights of disabled persons and those with reduced mobility when flying seriously, and wants to ensure that all passengers have the confidence to fly and enjoy the benefits of air travel”.

Airport Operators’ Association (AOA) Manifesto

10. The AOA is working closely with the European trade association for airports, ACI EUROPE, and has set out the importance of prioritising aviation in the upcoming negotiations on the UK’s exit from the EU. The AOA has drawn up a five step general election manifesto¹ to help guide the new Government and its Brexit negotiations and to build on the success of the aviation sector.

11. The manifesto sets out five priorities:

- Create an Aviation Strategy that supports sustainable airport growth across the country - the new Government should set out in an Aviation Strategy a fair framework for sustainable growth for all airports making best use of existing capacity to deliver the connectivity the UK needs for a flourishing economy across the UK to sit alongside the Airports National Policy Statement that will provide the planning framework to deliver the Government’s preferred option a third runway at Heathrow Airport. To accommodate significant growth in demand will require improved surface access to airports so that more businesses and consumers have fast access to domestic and international destinations.
- Prioritise a new legal framework for the UK’s aviation connectivity after Brexit - Excellent connectivity will be a precondition of making a success of Brexit. Aviation currently relies on the legal framework provided by EU-level air services agreements for flights to over forty countries. The AOA believes the new Government should prioritise new agreements to replace the current EU ones as well as transitional agreements to provide certainty in the interim, allowing businesses and passengers to make decisions with confidence.
- Set out a vision and policy framework to modernise airspace - The modernisation of UK’s airspace is vital to ensure the future success of aviation and the wider economy. The AOA has stated that airspace modernisation is predicted to add over £29 billion to UK GDP and 116,000 jobs by 2035 and is also an opportunity to reduce aviation’s environmental impact. Unless modernised, the AOA is of the view that it will not handle expected levels of traffic without increased delays, with one in three planes expected to depart more than 30 minutes late by 2030.
- Review and cut Air Passenger Duty (APD) to boost the UK’s international competitiveness - The UK’s uncompetitive levels of APD make the economics of establishing new routes economically unattractive for airlines. The new Government should bring APD in line with the UK’s nearest competitors by reducing it by 50%, ensuring that the UK is ‘Brexit ready’.
- Ensure that the UK’s border regime is secure but welcoming - It is in the national interest to have a well-resourced Border Force that can cope with increased passenger flows, reversing the increasing queue lengths at the UK border, and which administers a border regime that demonstrates to visitors that the UK is welcoming and open for business.

12. The AOA has undertaken some research into the UK-EU aviation connectivity based on the CAA’s aviation statistics (2015) which revealed that the UK’s air traffic is predominantly with the EU – more than one in two passengers travel between the UK and EU. The importance of this varies from airport to airport, with some airports predominantly serving EU destinations and other airports serving a more balanced mixture of EU, domestic and international destinations. The outcome of this research demonstrates the need for agreements to be negotiated early in the process.

¹ <http://www.aoa.org.uk/wp-content/uploads/2017/05/AOA-Election-Manifesto.pdf>

ABTA's view

13. Harnessing the experience of the ABTA Membership, ABTA and Deloitte has considered what a vote to leave the EU might mean for UK travel businesses, and the UK travel consumer. ABTA acknowledges that no one knows for certain what a post-EU UK would look like but they have assessed how the existing UK relationship with the EU has affected UK travellers and the UK travel industry, and what likely impact of leaving the EU would have on consumer confidence, expectations, and behaviour, as well as on the industry.

14. Following the triggering of Article 50, ABTA has also set out priorities for the Brexit negotiations in a new report "Making a Success of Brexit for Travel and Tourism"². The report outlines the priorities and opportunities for the travel industry and UK travellers that ABTA is asking the Government to focus on as formal negotiations begin. In particular, ABTA is calling on the Government to focus on five central points during the negotiations:

- Maintain the UK's ability to travel freely within Europe and beyond
- Keep visa-free travel between the UK and the EU
- Protect valuable consumer rights
- Give UK businesses operational stability
- Seize opportunities for growth

15. Additionally, with some holidays on sale up to 18 months in advance, ABTA is calling on the Government to ensure that effective transitional agreements with the EU are in place if needed.

16. ABTA believes Brexit opens up possibilities for new partnerships and relationships and the opportunity to fine tune the UK's laws and regulations in relation to travel, for example reducing Air Passenger Duty to ensure the UK has world-class connectivity.

Airlines UK's view

17. Airlines UK, the industry association that represents UK-registered carriers, has set out a number of manifesto priorities ahead of the General Election, with Brexit, taxation and airport capacity at the top of its list of priorities.

18. In respect of Brexit, Airlines UK has highlighted the need to safeguard EU, US and international market access for airlines; continue UK membership of the European Aviation Safety Agency (EASA) with all EASA rules and regulations applied to UK operators and companies based in the UK and the UK continuing to receive full voting rights within EASA; continue UK involvement in the development of Single European Sky (SES), and participation in SESAR; retain ability to employ staff from across Europe post-Brexit and protect current employment rights for those already employed in the UK or elsewhere in the EU; ensure there are no further restrictions to UK border arrangements.

19. This paper has focussed on some of the issues of concern to the industry which will need to be addressed as a priority by the new Government in negotiating the Brexit deal. It is recognised that there may be particular issues of concern to individual ACCs and their airports (as well as the devolved administrations) which delegates are asked to share at the meeting. UKACCs is asked to consider whether there are any common issues that need to be brought to the attention of the new Government.

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² <https://www.abta.co.uk/assets/abta%20Brexit%20Report%202017.pdf>