



## Finance ADVISORY ■

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### The Impact of Brexit on Aviation

By *Antone Little*

The British majority sent shockwaves around the world after the British electorate voted to leave the European Union (EU). After more than 30 million ballots were cast, Britain became the first country to withdraw from the EU since its inception in 1973. The consequences of the referendum results are vast and the repercussions will affect multiple aspects of life throughout the world. Aviation is just one, and various issues will emerge and challenge established norms and policies.

#### **Liberal European Aviation Market**

Airlines based in the EU take advantage of a variety of agreements that provide liberal access to fly between airports located in the EU and surrounding areas. After Brexit, Britain will be required to negotiate separate agreements with EU member states in order to regain access to the privileges provided by their prior EU membership. Low-cost carriers such as EasyJet may have to restructure their operations to retain full advantage of the EU's liberal aviation access. EasyJet is currently based at London Luton Airport and operates various intra-European flights that would otherwise be prevented by cabotage restrictions. While it seems likely that Britain and the EU will negotiate some form of open-skies agreement that will allow continued access, such an agreement is not automatic, and negotiations could potentially prevent British airlines from operating intra-European flights as freely as they have in the past.

#### **EU-U.S. Air Transport Agreement**

Similar to the liberal European aviation market, airlines located in EU member states also benefit from the EU-U.S. Air Transport Agreement that allows airlines of the EU and the U.S. to travel from any destination in the EU to any destination in the U.S. and vice versa, though European airlines may not operate intra-U.S. flights. After Brexit, Britain will be required to either enter into a UK-U.S. Air Transport Agreement setting forth the rights and restrictions on flight operations between Britain and the U.S. or sign onto the current EU-U.S. Air Transport Agreement as a non-EU member state similar to Iceland and Norway. It is likely that Britain will try not to disrupt their aviation markets and maintain normalcy with their aviation operations; however, post-Brexit, that may be easier said than done.

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## **European Aviation Safety Agency (EASA)**

Britain has had significant influence on the development of EASA's rules and regulations as a voting member since its establishment in 2003. Although it seems likely that Britain will continue to remain a member of EASA, Britain could lose voting rights—Article 1 of the Rules of Procedure of the Management Board of EASA describes “members with voting right” as “a representative of a Member State of the European Union” and then lists various non-EU member states who are members of EASA as “members without voting rights.” Britain may be able to use its weight to negotiate with EASA on retaining its voting rights, but whether or not EASA will sit at the table with Britain remains to be determined.

## **Outlook**

The post-Brexit world will be shaped by the exit agreement Britain and the EU enter into. The EU's leaders have called for Britain to leave the union “as soon as possible, however painful that process may be” and do not want any delay in Britain's exit as it would “unnecessarily prolong uncertainty.” However, the process will likely take several years, and during that time Britain will remain subject to the laws of the EU. For now, uncertainty will remain in the aviation market until Britain's exit agreement starts to take shape. As the process commences and continues, airlines, manufacturers, lessors, financiers and other participants in the aviation industry will be keeping a close eye on how post-Brexit aviation policies and procedures will impact the future.

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