

## Brexit unease jostles with pragmatism

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**The United Kingdom is one of the most dynamic aviation markets in Europe, but Brexit casts a long shadow. Kevin Rozario reports**

The UK airport sector enjoyed 6% passenger traffic growth in 2017 to reach 284.6 million, according to the Civil Aviation Authority, but even this was below the European average of 8.5%.

UK growth in 2018 is expected to weaken amid the Brexit process and broader industry trends. “This might be as good as it gets” even in Europe, said ACI Europe Director General Olivier Jankovec. “Rising oil prices are affecting airlines and consolidation is now placing more market share with a handful of powerful airline groups. Couple that with the fast-approaching Brexit deadline and it’s not hard to see why Europe’s airports can expect the temperature to rise, as airlines get even choosier about where they maintain existing capacity or open new routes.”



*Heathrow CEO John Holland-Kaye believes expansion is an essential ingredient for economic prosperity post-Brexit, but Parliament is yet to conduct a final vote on the planned third runway at the UK hub. (Heathrow Airport)*

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UK airports and airlines are keen to retain an Open Skies environment with their continental neighbours – and ACI Europe also wants to preserve this arrangement for the sake of business certainty and continued growth.

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However, European airlines are not necessarily interested in retaining the status quo and, as a result, questions remain over the long-term status of aviation agreements and flying rights between the UK and the European Union (EU).

### **Transition phase**

For now, the biggest airports in the UK are placated by a political agreement between the UK and the European Council for a two-year transition period after the planned Brexit date on 29 March 2019.

“A transition agreement provides certainty to our airlines and passengers that they can continue to benefit from the current liberal market until the end of 2020. It is vital that agreement is now ratified,” Gatwick CEO Stewart Wingate told *Jane's*.

Heathrow CEO John Holland-Kaye described “progress made by the government and the EU in agreeing a transitional period in principle”, adding that he is “confident a deal will be reached that will ensure all current services from and to Heathrow will continue”.

For Manchester Airport, the third-largest in the UK by passenger volume (see infographic), the transition deal also provides a two-year security blanket. However, Aviation Director Julian Carr argued it is “essential that the government has a clear post-Brexit vision for the aviation industry and secures open access to European skies”.

Smaller airports have more on their minds. At Birmingham, for example, the view is that a gamut of Brexit scenarios are possible after March 2019, from the grounding of all UK-EU flights to a continuation of operations as though nothing has happened.

“We don’t know how it [Brexit] will turn out,” said Acting Aviation Director Tom Screen. “The likelihood is that Third and Fourth Freedom flights [under the Chicago Convention] the right for an air carrier to fly from its own country to another and back again – will remain unchanged. All the airlines we have spoken to believe it to be unthinkable that an air service agreement would not be agreed between the UK and EU allowing these rights, and we 100% agree. It would be the equivalent of going back to the Dark Ages.”

However, there is unease on how Brexit will affect the Seventh and Ninth freedoms: the right for air carriers to fly between two countries that are not their own, or the right to fly internally in a country that is not their own. “Airlines concerned about the lack of these freedoms from next March are applying for UK operating licenses, just to make sure they will still be able to operate,” said Screen. Examples include Ryanair and easyJet.

These operating licenses are costly and create operational complexities. “Some carriers will not apply for a UK operating license which, when looking at their existing Birmingham programme, means there could be issues with their services going forward,” noted Screen.

“Aviation is clearly too important not to be at the forefront of negotiators’ minds,” he added, referring to the ongoing Brexit process. “To get this wrong would be extremely detrimental to each of the 28 [remaining EU] countries’ economies.”

Given the stakes, it is hardly surprising that UK airports persist in prodding politicians and regulators for more clarity. “Aviation is exempt from World Trade Organization rules, so if no agreement is in place the UK’s connectivity will be undermined,” remarked a spokesperson for London Stansted.

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“We are working closely with other airports, airlines and trade bodies to ensure we have an early deal on aviation.”

Gatwick’s Wingate added that “I will be continuing conversations with government, to urge them to secure future market access and provide the industry and consumers with certainty as soon as possible”.

### **UK at a crossroads**

The uncertainty that now prevails is destabilising, with investment decisions left hanging. “All we can hope for is to preserve the existing Open Skies agreement, but there are no guarantees and no-one is quite sure what will happen regarding aviation agreements and flying rights,” said Edinburgh Airport CEO Gordon Dewar.

“Some American airlines slowed back on growth investment into the UK, although Edinburgh has bucked that trend in the past two years. I hope the Brexit settlement allows us to preserve what we have. We can then get back on the horse and start promoting ourselves very strenuously.”

London Luton CEO Nick Barton sounded optimistic, regardless of the final Brexit deal. “The Single Aviation Market and the EU’s multilateral Open Skies Agreements have allowed UK aviation to flourish, and it’s crucial that continued access is retained,” he remarked. “However, whatever agreement is reached, I’m sure UK airports will adapt to a different framework.”

### **Capacity considerations**

Brexit has pushed other priorities down the list. Capacity remains crucial to Heathrow, for instance, as it is so constrained in relation to its European rivals. Airport officials and expansion supporters await parliamentary approval for a third runway. The broader UK market also needs a capacity boost, amid passenger traffic growth of 30% in the past five years; and the Department for Transport forecasts annual traffic of 445 million by 2050.

**[Continued in full version...]**

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