

5 September 2017

UKTiE: Brexit and aviation speech

Given by Andrew Haines, Chief Executive of the CAA

Thank you to Tony for hosting the event, and Mark for the introduction.

Since the referendum about 2.7 million flights have arrived and departed from the UK. Since Article 50 was triggered, 121 million passengers arrived and departed at airports in the UK. That gives you some sense of the scale of the sector. Few sectors have greater exposure to Brexit than aviation – it is intrinsically international.

Co-ordination on a pan-European basis is actually in its third generation – it is not a creature of the European Commission. We have been working closely with our European colleagues on this for three generations. And, critically, there are no WTO rules to fall back on.

To give you some examples: if Airbus designs a new aircraft – let's call it the A360 – with many UK-produced components such as engines and wings, it is at the European level that the design of this aircraft is certified and ultimately allowed to operate. It's currently European rights that allow operators to fly from the UK into Europe, but also within Europe and indeed to our critical trade partners. We are currently reliant on an EU agreement for our rights to fly to the US. It is actually European legislation that gives airline passengers unrivalled levels of protection and compensation.

So that's the four reasons why aviation ought to be at the top of Government's agenda, and I am reassured that the Government is taking aviation's needs seriously in that respect. I think that is borne out by the level of engagement we have had with DfT and DExEU.

So what are those four outcomes I think we should be judging the success of the negotiations by?

The first is that aviation should be allowed to flourish. London is the best connected city in the world. It is actually the most attractive airline destination in the world. We have the second largest aerospace economy in the world – second only to the US. And UK citizens enjoy the third best network of aviation in the world, bettered only by the US and China. So, we are a global, leading aviation player, and the success of any Brexit deal, I believe, should be judged on the extent to which that is allowed to flourish. 23% growth in the aerospace sector since 2010 – a good test for the success of the Brexit negotiations is what that growth figure looks like in 2020.

The second principle for us is that as a country we ought to be prepared and able to be influential beyond our borders in ensuring safety and security of our citizens. Almost 90% of flights from this country are to international destinations. The vast majority of our citizens are flying overseas. At any one time, half the aircraft in the sky above Britain are not UK-registered. So we must maintain our influence over aviation safety and security in Europe and beyond.

For that reason, we at the CAA are very explicit that we want to remain full members of EASA. I have to say in my 8 years in the aviation sector, I don't think I have ever come across an issue that has such broad consensus in the sector. It's almost universal. It makes no sense to recreate a national regulator. At best, you replicate the vast majority of European regulation, and you'd have to do it over an extended period of time. At worst, you create unnecessary barriers, and you start to breach my first successful outcome. What does this do to trade, and what does this do to choice and value for consumers?

So we are very uncompromising in our view that we should not be planning for a new independent aviation safety system in the UK. Indeed, we have consciously decided not to do that work as it would be misleading to suggest that's a viable option.

Of course in the very long term, it might be, but it's not one we will be espousing.

Our third principle is that it should result in fewer barriers, not more. We believe aviation consumers have benefitted enormously from choice and value. Typical fares are down 30% over 20 years, and if you are business class passenger this advantage is even better. The level of destination choice across the UK has grown immeasurably because of competition.

We would contend that where Europe has been least successful, particularly in the case of air traffic management rationalisation, is precisely because it has been reluctant or unable to open competition. So we should not be using Brexit as an opportunity to restrict competition.

There are areas within existing regulation that are ripe for review, and I would suggest this includes slot allocation and coordination – even the Commission are desperate to open this up. We think ownership and control requirements could be much more liberal. But we wouldn't advise these are sacrificed if they were the price to be paid for on-going, full participation of the European market.

The fourth and final principle is that we believe EU protections with respect to the environment and consumers should be ringfenced. If you take EC261 - the piece of legislation that gives delayed or bumped passengers recourse to compensation – while there are genuinely legitimate questions about the detail of how this is operated, it has provided unrivalled levels of protection and compensation to consumers. We don't believe that we should be using Brexit to dismantle consumer rights.

Similarly, on the point of environmental legislation: if aviation wishes to grow, it has to be an exemplary neighbour. That has to be one of the lessons from the protracted attempts to build additional capacity in this country. That means honouring those environmental regulations around environmental noise and air quality standards.

Those are our four principles. Why do we need to get on and get some clarity?

As I said at the outset, this is an inherently international business. I think very soon we will start to undermine consumer confidence. Bookings will open for aviation in about six months time for the following year. Now, I am not saying no body will book, and I certainly don't believe that airlines will not open their schedules. But we will be risking unnecessary economic harm and disquiet if we are in a situation where we cannot give people clarity.

We have already seen organisations have to make contingency arrangements. EasyJet are preparing to shift a large proportion of their fleet of aircraft from the UK to an Austrian

operation so they can guarantee their ability to fly intra-European flights. At the moment airlines are presuming they will at least be able to fly directly from the UK into Europe and beyond, but there is such concern about being able to fly intra-European flights, that they have already set up a contingency plan. And other organisations will start to having make those measures. There is a real risk of companies like Rolls Royce, which currently has facilities in Germany and Singapore, but actually choose to maintain approvals – their regulatory oversight - in this country. It is relatively straightforward to transfer some of those to Germany. Once you lose that national link, I think that actually could, over a long period of time, risk undermining some of those relationships and the benefits of that commercial enterprise to the UK economy.

So I understand how terribly difficult it is to do such an intense, political negotiation. But aviation ought to be a priority, and there is a pressing need to get clarity.

Thank you