The Impact of “Brexit” on the U.S. Aerospace Industry

Background

A referendum to decide whether the United Kingdom (UK) should remain in the European Union (EU), or “Brexit,” narrowly passed on June 23, 2016, triggering negotiations to set the terms of withdrawal by March 29, 2019. Among the many agreements to be renegotiated in that time will be the UK’s future membership and relationship with the European Aviation Safety Agency (EASA), which together with the U.S. Federal Aviation Administration, sets the standard for aviation safety and oversight worldwide. As the UK has the largest aerospace manufacturing industry in Europe, and is the home of many major customers of U.S. aerospace products, their relationship with EASA will have a significant impact on U.S. aerospace companies.

Issue

Any Brexit deal which forces the UK to leave EASA will require a complex and resource-intensive solution to achieve regulatory compliance. If that occurs, U.S. aerospace companies will operate under separate regulations for the export and import of aircraft, engines and parts with the UK vis-à-vis the rest of Europe. The UK Civil Aviation Authority (CAA) would then have two practical options:

► Submit an EASA Article 66 application to re-join EASA as a non-EU Member State (e.g. the so-called, “Swiss”, “Norwegian” or bespoke model); or

► Revert to stand-alone adoption of EASA regulations, though this would place a significant ongoing burden on the UK CAA, would require renegotiation of the FAA-CAA bilateral agreement and would divert limited aviation safety resources simply to try and maintain the status quo..

Impact on EASA Operations

UK participation in EASA is crucial to the European aerospace ecosystem. The size of their aerospace and aviation industry, along with their position as member of the EASA management board, makes the UK highly influential in matters of policy.

Representatives from UK industry or government are on every EASA technical committee and working group, helping to draft changes to regulations, certification practices and processes, as well as offering technical guidance to EASA decision makers. The UK has access to a large repository of technical information and skills which it shares with EASA. Should the UK no longer contribute to EASA, it is difficult to see how this gap could be filled quickly and cost effectively. The departure of the UK from EASA would greatly diminish both the resources and capabilities of the organization.

Action Required on Bilateral Aviation Safety Agreements (BASAs)

When the UK leaves the EU, more than 50 existing working arrangements between EASA and other authorities would cease to apply to the UK. These treaties will need to be renegotiated to reinstate current efficiencies, most notably the BASAs currently in place between Europe and the United States, Canada and Brazil. Transitional working arrangements need to be put in place between the UK and all these countries before March 29, 2019, to avoid significant disruption to business continuity.

“Brexit will significantly alter the way U.S. aerospace companies conduct business in the United Kingdom and throughout Europe. It is critical that our industry work closely, and rapidly, with regulatory authorities to minimize any adverse impact on this key element of our national economy.”

— Dave Melcher, President & CEO, AIA
U.S. and UK governments would need to renegotiate the outdated CAA-FAA BASA that allows the FAA to recognize the CAA as a competent authority. Without a deal, the FAA could not recognize CAA authority to issue design approvals or to oversee repair stations. This would mean that components coming from the UK to the U.S. may require increased FAA oversight and resources and, similarly, that U.S. aerospace exports to the UK may face increased regulatory hurdles and delays.

**Impact on Industry Operations**

U.S. and European aerospace and aviation industries and associated regulatory environments have become ever more integrated and harmonized. This is one of the factors that makes Europe an attractive and important market for the U.S. aerospace industry. The lack of regulatory certainty and the potential impact that Brexit could have, both now and after the formal relationship ends, are of great concern to industry.

**Validation of Type-Certified Products**

The existing BASAs greatly simplify the process of validating U.S. type-certificated aircraft. This facilitates sales to the 28 member states of the EU. If the UK CAA exited EASA, a separate, redundant and non-value-added process would be required. The UK CAA would need to negotiate agreements with the FAA to facilitate similar validation processes.

**Maintenance**

There are more than 170 FAA-licensed repair stations in the UK, all presently inspected by UK inspectors under the terms of the existing BASA. A new bilateral agreement would be required to permit this relationship to continue, or FAA inspectors will need to provide direct oversight of these facilities – with subsequent approval from UK CAA officials to permit these activities.

**Environmental Issues**

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is an EU regulation that addresses the production and use of chemical substances, and their potential impacts on both human health and the environment. The base premise of REACH is that chemicals must be registered by the producer and – where necessary – authorized for use by actors in the supply chain. Any company dependent on supply from the UK, including many U.S. aerospace companies, will have new obligations as importers, some of which take years to fulfill. Without fulfilling these obligations, existing supply chains will be significantly disrupted. Should a separate UK system be established, it would be indispensable that existing substance registrations and authorizations be grandfathered, with future ones mutually accepted.

**Minimum Action Required**

Regardless of the approach taken, aerospace and aviation must be treated as priority negotiating areas with **the aim of providing increased certainty to industry and passengers by March 2018.** Industry must have time to make the necessary adjustments and arrangements to ensure the continued flow of safer, more efficient aircraft, engines and parts prior to the pending March 2019 Brexit Date.

AIA strongly believes that the best alternative is for the UK to remain as an EASA member. If this is not possible, the UK must remain engaged in EASA and undertake the immediate negotiation of BASAs and other agreements to ensure the efficient movement and certification, validation and approval of aeronautical products. This may require an ambitious and comprehensive working arrangement with EASA.

If the UK leaves EASA, AIA calls on the authorities to quickly negotiate and implement a CAA-FAA BASA that allows the two agencies to mutually recognize each other as competent authorities. This process will be complicated and time-consuming, and could greatly impede the certification, movement and sale of aircraft and components between the UK and the United States.