

Challenges facing MRO operations to comply with the implications of Brexit

Assessing the impacts on regulatory requirements and safety certificates

February 05, 2021

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General Brexit-implication of the European civil aviation industry

With the ending of the transition period on December 31, 2020 Brexit has been accomplished. Months and years of tough negotiations between the European Union (EU) and United Kingdom (UK) have come to an end and the times of countless speculations on different Brexit scenarios are over. Now, the focus is instead on the implementation of the decisions which have been taken.

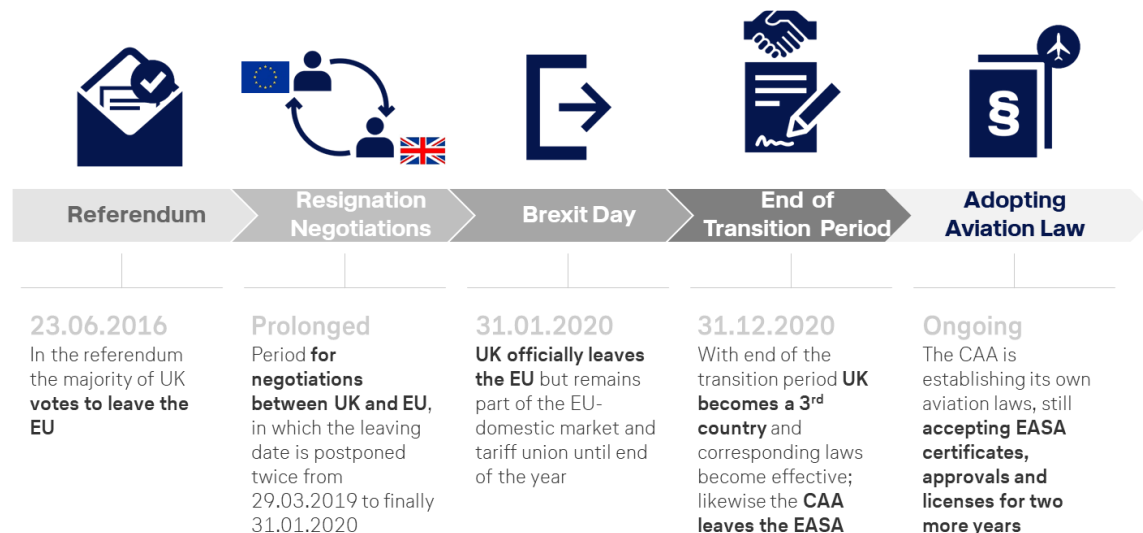


Figure 1 Brexit Timeline Source: Lufthansa Consulting research

Besides many other industries, civil aviation has been hit hard by the outcomes of Brexit. Mainly, air services agreements, flight operations and safety, aviation security and border management are highly affected operations¹.

Several airline groups in Europe including UK-based airlines faced a challenge in reshaping ownership and control structures. To keep their European aviation rights, these companies must be owned by a European majority (the UK does not count anymore, as it has become a third country), controlled by Europeans, must have their principal place of business in their own territory, and must hold an Air Operator Certificate (AOC) from the relevant authority. This concept is also valid the other way around for UK airlines to gain the traffic rights between UK and EU, but for UK airlines holding a valid operating license (AOC) by end of the transition

¹ Source: IATA case study



period a special arrangement is in place: the affected airlines still count as UK airlines if they are owned and effectively controlled by nationals of the EU or both UK and EU².

These changes have forced airline groups like IAG³ or Wizz Air to act. Both groups aim to fulfil the ownership and control requirements to be a European airline. Wizz Air on the one hand has withdrawn rights of its shareholders. As of January 01, 2021, all shares that are held by non-EU citizens are treated as restricted shares. IAG on the other hand has changed its control structure and now fills central positions with EU-nationals.

The decisions regarding safety issues are the most relevant for the MRO area. It includes many regulatory requirements and certificates which were formerly regulated by EASA. However, with the CAA's decision to leave EASA, this mutual recognition of safety certificates and licenses between the UK and European systems came to an end on December 31, 2020.

Regulatory impact due to the ending of a mutual recognition of safety certificates

Previously -before January 01, 2021- certificates, approvals and licenses issued by the CAA⁴ were automatically transferred into UK licenses and thereby lost their EASA status and validity. Meaning, that UK-based MRO companies did not need to change their approvals to keep UK validity with ending of the transition period.

Moreover, the CAA has retained all substantive EU aviation safety requirements current on December 31, 2020 in the UK domestic regulation. The CAA regulation basically reproduces the European standards and documents, which simplifies their application.

Nevertheless, UK-based companies with UK approvals, that aim to work on EU-aircraft need to re-apply to obtain EASA certificates.

The following table provides an overview of the MRO-relevant standards based on CAA communication⁵ (this overview is not intended to be exhaustive). The full and complete details can be found on the CAA homepage.

EASA Part No.	Validity	Required actions
Part-66 Aircraft Maintenance License	<p>UK-based company:</p> <ul style="list-style-type: none"> CAA certificates are valid in UK To continue to release EU-registered aircraft to service outside the UK, it is necessary to transfer the license to the National Aviation Authority of an EASA member state <p>EU-based company:</p> <ul style="list-style-type: none"> To continue to work on UK-registered aircraft for up to 2 years, unless the license changes or expires (whichever occurs soonest) No change required for EASA certificates in EU 	<p>UK-based company: Personnel working in organizations approved by the CAA who are based in the UK will need to obtain a UK CAA issued Part 66 license after the 2 years or when the EASA license expires</p>
Part-145 Maintenance of Aircraft	<p>UK-based company:</p> <ul style="list-style-type: none"> CAA certificates are valid in UK 	<p>UK-based company: To continue to certify EU-registered aircraft, it is a</p>

2 Source: CAPA

3 International Airlines Group

4 Civil Aviation Authority

5 Source: <https://info.caa.co.uk/uk-eu-transition/>



	<ul style="list-style-type: none"> • CAA certificates are no longer valid in EU <p>EU-based company:</p> <ul style="list-style-type: none"> • EASA certificates remain valid in the UK for the next 2 years • No change required for EASA certificates in EU 	requirement to hold an EASA Part 145 approval
Part-147 Maintenance Training Organizations	<p>UK-based company:</p> <ul style="list-style-type: none"> • UK Part-147 approval valid for type rating for UK licenses only • CAA approvals are not valid in EU <p>EU-based company:</p> <ul style="list-style-type: none"> • EASA certificates remain valid in the UK for the next 2 years • No change for EASA certificates in EU 	UK-based company: To continue to operate in the EU or train engineers for the EU market, it is a requirement to obtain a Part-147 approval from EASA
Part-21J Design Organizations	<p>UK-based company:</p> <ul style="list-style-type: none"> • Access to the European market is made possible with a UK Part 21J approval, with new design certificates being either validated or accepted by EASA <p>EU-based company:</p> <ul style="list-style-type: none"> • The UK-EU trade and co-operation agreement recognizes that design certificates issued prior to December 31, 2020 remain valid • EASA certificates issued after 31.12.2020 will need to be validated by the CAA • Continuation of recognition of EASA Type Certificates, Supplemental Type Certificates, approvals for changes and repairs, as well as Technical Standard Order authorizations approved in the EASA system that are valid on 31 December 2020 	
Part-M Continuing Airworthiness	<ul style="list-style-type: none"> • Regulation (EU) No 1321/2014, Part-M was retained in UK domestic legislation • A CAMO⁶ organization approved by EASA or an EASA Member State prior to 1 January 2021 will be able to manage UK-registered aircraft and issue/extend ARCs⁷ for up to two years as long as the applicable aircraft type was on 	<ul style="list-style-type: none"> • Replacement Certificates of Airworthiness (CoA) will be issued during 2021. ARCs will be updated at the next issue of the certificate • To minimize the risk of disruption, the CAA provides a letter to all operators confirming the validity of the documents for carriage on UK aircraft

⁶ Continuing Airworthiness Management Organization

⁷ Airworthiness review certificate



	<p>the organization's approval prior to that date</p> <ul style="list-style-type: none">• CoA⁸ + ARC: Operators will not require new certificates immediately as current certificates will continue to be recognized under the EU (Withdrawal) Act 2018	
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Table 1 Overview of Brexit implications in the MRO regulatory environment based on the CAA

Conclusion

For MRO operating companies outside the UK with EASA certificates, the current changes do not appear to be drastic. However, every company affected needs to assess the requirements in detail. Especially, when currently valid approvals expire and need to be separately applied for at the CAA.

For UK-based companies with UK approvals, the efforts are more substantial and the effects may be more drastic. This may lead in combination with other Brexit implications to a rethinking and possibly reshaping of existing business models.

Lufthansa Consulting, with its long-term experience in regulatory projects with EASA, IATA and others, is ready to support its clients by assessing Brexit implications and resulting actions to ensure compliance in the future.

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Further insights from Lufthansa Consulting's aviation experts are available at <https://www.lhconsulting.com/insights/news/>
