

INTER-RELATIONSHIPS WITHIN THE UK AVIATION INDUSTRY

UNIT 4

1

UK AVIATION INDUSTRY INTER-RELATIONSHIPS

- The aviation industry is a system that provides air transport between airports.
- The organizations that make up the industry endeavor to provide a safe, secure and seamless system for users.
- The 'glue' that holds this system together would be the 'inter-relationships' between the different organizations involved in the aviation industry.

AIRPORT CATEGORIES

- *Major International Airports* – Provide a wide range of international services (both short-haul and usually long-haul) and a significant range of charter and domestic services.
- *Regional Airports* – These provide a network of short-haul scheduled international services, and sometimes a small number of long-haul services, as well as a significant number of charter and domestic services.
- *Local Airports* – These operate some domestic services and sometimes a small number of short-haul services, as well as charter services and general aviation.

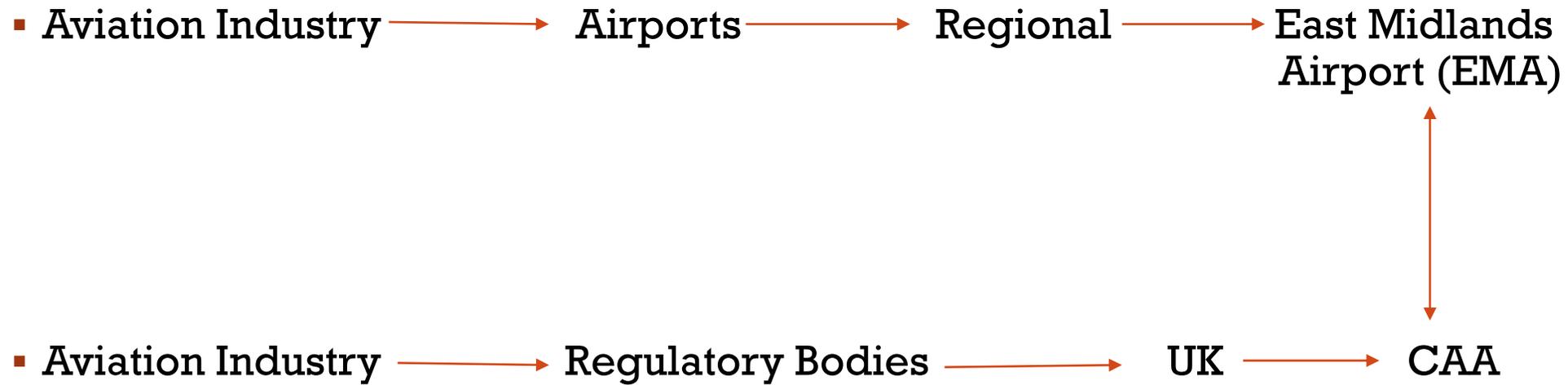
AIRLINE CATEGORIES

- *Major Airlines* - These are defined as an airlines that generate more than \$1-billion in revenue annually. Typically, these are also the largest employers among airlines. (Bonsor, 2001)
- *National Airlines* - Just one step down from the major airlines, these are scheduled airlines with annual operating revenues between \$100-million and \$1-billion. These airlines might serve certain regions of the country, but may also provide long-distance routes and some international destinations. They operate medium- and large-sized jets.

AIRLINE CATEGORIES

- *Regional Airlines* – These airlines service particular regions. They are divided into three subgroups:
 - **Large regionals** - These include scheduled carriers with \$20-million to \$100-million in annual revenue. Their aircraft can accommodate 60 passengers or more.
 - **Medium regionals** - They operate on a smaller scale using only small aircraft that allows for annual revenues of under \$20-million.
 - **Small regionals** - They don't have a set revenue definition, but are usually referred to as "commuter airlines" using small aircraft with less than 61 seats.

STRUCTURE OF THE AVIATION INDUSTRY



KEY INTERRELATIONSHIPS

- Regulatory systems & organizations involved
- Organizations that work together for the same benefits
- Contractual and commercial agreements and the obligations of the organizations
- Organizations can have all these inter-relationships and could quite easily have all three with the same organization.



CIVIL AVIATION AUTHORITY

What are the functions of CAA in the UK Aviation Industry?

How does it impact Airlines?

How does it impact Airports?

How does it impact General Aviation?

CAA AND DRONES

- Drones are referred to as remotely piloted aircraft systems (RPAS) or unmanned aerial vehicles (UAV)
- Their sizes range from small handheld types up to large aircraft, potentially a similar size to airliners
- Unmanned aircraft **MUST** always be flown in a safe manner, as it relates to other aircraft in the air and people and properties on the ground
- “The CAA’s primary aim is to enable the full and safe integration of all UAS operations into the UK’s total aviation system.” (Caa.co.uk, 2015)

CAA AND DRONES



(YouTube, 2016)

LET'S LOOK AT A TRADE ASSOCIATION...

- What role does IATA play in the UK Aviation Industry?

Air Transport - A Case Study in International Regulation

How does it impact Airline?

How does it impact Airports?

How does it impact General Aviation?

SESSION 2

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MAIN TYPES OF RELATIONSHIPS

- Legal
- Commercial – Commercial contracts, concession, legal contract
- Mutual Benefit – trade associations, airport user committees, airline alliance

LEGAL RELATIONSHIPS

- Have the force of law to bind the parties together should it be needed
- Non-compliance can have serious consequences for the organisation if it does not fulfil its legal obligations to the required standards.
- For example, in extreme circumstances a non-compliant airport could find that its operating licence has been revoked

LEGAL RELATIONSHIPS

- EU regulations
- CAA licensing
- Competition law
- Delay and other passenger rights
- Bribery Act advice
- Sanctions advice
- Environmental issues

LEGAL RELATIONSHIPS

- Denied boarding
- Data protection
- Package travel regulations
- Emerging unmanned aircraft systems (UAS) - (drones)
- Legal and regulatory systems
- Cancellation

LET'S APPLY KNOWLEDGE...

- What are the most important legal relationships that exist between airports and UK Civil Aviation Authority (CAA)?

COMMERCIAL RELATIONSHIPS

- Can take a number of forms, which can be complex and diverse.
- A terminal retail outlet might have a concession agreement or a tenancy agreement with the airport; one has a rent based on turnover while the other a rental agreement based on shop area.
- Whichever pathway is chosen, the commercial agreement will involve a contract based on financial payments and be backed up by the possibility of legal redress.

COMMERCIAL RELATIONSHIPS

- Maintenance, repair and support agreements.
- Sale and purchase agreements, power by the hour arrangements, loans, leases and components exchanges
- Long term arrangements between partners including joint ventures
- Aircraft management agreements
- Marketing arrangements
- Agreements for the fitment of aircraft

COMMERCIAL RELATIONSHIPS

- Catering
- IP issues including trademarks
- Ground handling
- Distribution and agency arrangements
- IT agreements
- Lost baggage
- Read: <https://www.nap.edu/read/22912/chapter/1#viii>

SAMPLE COMMERCIAL AGREEMENT

- Let's examine the licensing agreement between these two parties:

DEVELOPMENT, LICENSE AND HOSTING AGREEMENT BETWEEN NORTHWEST AIRLINES INC. AND ORBITZ LLC.

What are the main features of the agreement?

Identify at least five (5) conditions of the agreement.

MUTUAL BENEFIT

- The obvious example is trade associations, where organizations primarily decide to work together to promote their interests to government or policy makers.
- International Air Transport Association (IATA)
- European Regional Airlines Association (ERA)
- British Air Transport Association (BATA)

REFERENCE

- Bonsor, K. (2001). *How Airlines Work*. [online] HowStuffWorks. Available at: <http://science.howstuffworks.com/transport/flight/modern/airline1.htm>.
- Caa.co.uk. (2015). *Flying drones | UK Civil Aviation Authority*. [online] Available at: <https://www.caa.co.uk/Consumers/Model-aircraft-and-drones/Flying-drones/>.
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