Jesse Tulkki

The possible effects of Brexit to airline operations

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This bachelor’s thesis researches the possible effects of Brexit to airline’s operations by focusing to three main operational process; flying, ground and service operations. To understand better the possible effects, the processes are studied through two case airlines, EasyJet and Finnair. The two case airlines represent two different business models, as EasyJet can be categorized as a low-cost airline and Finnair as a legacy airline. The geographical locations of the case airlines also differ as EasyJet is headquartered in United Kingdom and Finnair in Finland.

To examine the possible effects of Brexit, the following research question was defined to outline the direction of the study: How might the Brexit effect to airlines operational processes, discussion with case airlines Finnair and EasyJet? The secondary data analysis of airline operations, operational processes and Brexit was carried out through various different techniques. The variables of European Aviation Safety Agency, Civil Aviation Authority, European Union and United Kingdom were also considered.

The results of the study demonstrate that the operational processes differ between EasyJet and Finnair, as well as the effects of Brexit to their operations. How significant the effects to the operational processes are depend on the outcome of the Brexit. In case of United Kingdom withdraws from the European Union without an agreement, the effects are greater than withdrawal with an agreement. Despite the quality of the agreement the effects are greatly smaller and will not affect to the airline industry as significantly.
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Appendix 1: Definitions
1 Introduction

1.1 Introduction

This bachelor’s thesis researches the possible effects of Brexit to airline’s operations by focusing to three main operational process; flying, ground and service operations. To understand better the possible effects, the processes are studied through two case airlines, EasyJet and Finnair. The two case airlines represent two different business models, as EasyJet can be arguably to be categorized as a low-cost airline and Finnair as a legacy, also called traditional airline. Also, the airlines will experience the possible effects of Brexit differently due to their geographical locations, as EasyJet is headquartered in United Kingdom and Finnair in Finland.

Brexit. Since the June of 2016, when the United Kingdom (UK) held a referendum concerning the withdrawal from the European Union (EU), and voted by 51,9 per cent on behalf of leaving the EU, there has been a great amount of discussion and speculation how the withdrawal will inevitably affect airlines and their operations, as well as the whole globe. Depending the outcome and which Brexit “scenario” takes place, the effects to airline’s operations can vary from basically no significant effect, to mass disruption in air transit and great number of grounded planes. The possible effects are not limited to airlines and their operations, as the Brexit will affect in significantly wider scale. Variables concerning the Brexit and how it will possibly effect airlines involve aviation authorities, safety associations, traffic rights, certification of aircraft and aircraft parts among licences of crew. The possible disruptions of supply chains create also great risks for airlines. However, the big question is, that does the United Kingdom leave with or without an agreement and when does it happen?

The scope, timing and relevance of Brexit create an interesting opportunity to study the possible effects as the aviation and airline industry are already experiencing changes. Overall, can be seen that the airline industry is experiencing some sort of transition period. The competition is tougher than ever before, mostly due to the pressure caused
by the low-cost airlines, which has forced many legacy carriers to take actions. Many of the airlines have even gone bankrupt during the past few years, as the recent examples of Air Berlin, Monarch Airlines, British Midland Airways and the most recent WOW air in spring of 2019. On the other hand, the flying is cheaper than ever before and still the safest way to travel despite the recent events (Larbi 2017). Can be argued that during the past few years the airline industry has not gathered only positive headlines. The recent two fatal Boeing 737 Max incidents in Indonesia and Ethiopia took almost 350 lives and has raised many questions, including; have the aircraft manufacturers and airlines gone over the red line while trying to achieve more and more cost effective and less fuel burning aircrafts?

1.2 Research question and the structure of the thesis

Considering the results from the previous research, the airline industry can be seen as a complicated, regulated and cyclical industry. Despite that airlines, airline operations and operational processes are well studied beforehand, the Brexit as a variable and its effect to airlines are not as well-known. To examine and understand better the effects, the following research question has been defined to outline the direction of this study:

- How might the Brexit effect to airlines operational processes, discussion with case airlines Finnair and EasyJet?

As the objectives of the research has been defined, the structure of the study is as following. The next chapter, chapter two is the methodology. The chapter discusses methodology and the used methods of the research. The third chapter is the literature view, which discusses and analyses the previous relevant academic literature relating to Brexit, airlines operations and operational processes. Chapter four, the analysis and results links the data and results to the academic literature, discussed in the third chapter. Finally, the fifth chapter is the conclusion which pulls together the main arguments and points of the study, as well as discussing the limitations of the study. The recommendations for the future research that have come to the presence while conducting this research are also discussed in the final chapter.
2 Methodology

2.1 Philosophy of the research

According to Dawson (2009: 39) the methodology of the research is the philosophy or the common principle guiding the direction of your research. “It is the overall approach to studying your topic and includes issues you need to think about such as the constraints, dilemmas and ethical choices within your research” (Dawson 2009: 39). Dawson (2009: 39) also argues that there has been also great amount of discussion recently within the methodology of the social research and how the theory should be proceed. Mainly, the discussion has concerned the issue between the quantitative and qualitative methodologies and which one of them is the optimal choice. Depending the timing, the political, cultural, historical and social points of view affect the popularity of different methodologies (Dawson 2009: 40). In addition, Dawson (2009:40) argues that all different methodologies will have their characteristic weaknesses and strengths which should be considered by the researcher.

According to Dudovskiy (2017), concerning the business studies, research philosophy can be divided to four major categories. These four philosophies are the pragmatism, the positivism, the realism and the interpretivism. The choice of the correct research philosophy, whether it is the positivism or interpretivism, or quantitative or qualitative approach, has raised great amount of discussion in the history (Dudovskiy 2017). Can be argued that especially recently, the pragmatist and realist philosophies have increased most the popularity with the development of the theory.

For this research, the approach of triangulation has been selected. The methodology is the combination of quantitative and qualitative approaches. This specific approach allows the researcher to examine the strengths and weaknesses from the quantitative and qualitative perspectives.
2.2 Approach of the research

The objective approach for this research is to discuss and find out that how the Brexit might affect to airline’s operational processes. Two airlines are selected for more in detailed approach, Finnair and EasyJet. The airlines of the study were selected with focusing to a British representative EasyJet and Finnair as a representative of European airline. These two airlines also represent different business models as Finnair is a legacy carrier and EasyJet a low-cost airline. The business models of the airlines are discussed more in detail in the current state analysis, in the third chapter.

The Brexit can be seen as a highly complex and unpredictable variable for airline’s operations. As the Brexit effects the whole globe, especially Europe and its airlines, the effects to operational processes can be only predicted, since the outcome and which “scenario” takes place is still unknown. The different scenarios are presented in the third chapter. More in detail, this study aims to take closer look how the Brexit might affect the operational processes of airlines with focus to EasyJet and Finnair. The study also aims to compare and contrast how the flying, ground and service operations are affected depending the scenario.

Can be argued that there are numerous variables that might affect to the outcome of the Brexit and how it will affect the operations of airlines. Since the variables are complex with multiple stakeholders involved, including European Aviation Safety Agency (EASA), Open Skies Agreement, Civil Aviation Authority (CAA) and of course European Union (EU) and United Kingdom (UK), the predictability of the outcome is difficult.

2.3 Research method

There are various methods how the research can be made. The data and information for this research is collected from several different sources. All the data collected is secondary data. The data collected and examined concerning the research focused to operational processes of airlines, to Brexit as a whole and to two case airlines, EasyJet and Finnair. Also, the data collected concerns the airline industry overall, relating to
possible effects of Brexit. The data and information is gathered from the relevant books considering the research topic, academic journals and from the different articles within the airline industry and Brexit. The information concerns the flying, ground and service processes of airlines within the Brexit scenarios. The multiple stakeholders are also considered, involving the variables of European Aviation Safety Agency, Open Skies Agreement, Civil Aviation Authority and of course European Union and United Kingdom.

2.4 Advantages and the disadvantages of using secondary data in research

Can be argued that secondary data is one of the most popular methods used to gather information and data. Secondary data is the data collected by other researchers and the users of the exact data, usually are not part of the original study or the design of it. Overall, using only secondary data has its certain advantages and disadvantages. Considering the advantages and disadvantages, the economic and time-consuming aspect has to be taken in to count as an advantage as well as the easy accessibility of the data from the books, journals and internet. To the disadvantages of secondary data can be count the fact that the data might be outdated and there is no certainty of the credibility. However, using secondary data allows the researcher to use larger sample size than with primary data, as well as it increases the diversity and external validity.

2.5 Data analysis

Data can be analysed with various methods. These methods include for example the content analysis, thematic analysis or analysis directed from the literature. This research is made with the thematic analysis. The thematic analysis examines the data by analysing different patterns of the data. As the goal of the research is to analyse the possible patterns and outcomes of Brexit concerning the operational processes of airlines, the thematic analysis is selected. The analysis of the data will include the analysis of flying, ground and service operations within the context of Brexit. Also, the analysis will focus to the effects of EASA, CAA and UK as well as Europe.
2.6 Limitations

As with other research studies, this research has also its limitations. The biggest limitation of the study is that the outcome of does the UK leave the EU with or without agreement is unclear. As the outcome of which Brexit scenario takes place is still unknown, the results can be only speculated. Also, using only secondary data creates its own limitations concerning the study.
3 Literature Review

3.1 Operations within airlines

Aviation industry can be described as a business field of heavy operational costs, strict regulations and complicated processes of planning and executing. As with every other fields of business, the maximizing of profitability is the ultimate goal and target. In the airline industry the processes lean to careful planning for example of crew and aircraft, and the choice of future fleet (Díaz-Ramírez, Ignacio Huertas & Trigos 2014: 68).

According to Slack, Brandon-Jones and Johnston (2016: 32), in any corporation the operations can be classified to different activities. These three functions and activities are; the first one which is the marketing function, covering the sales. Second function is the product or the service function. Third function is the operations function. Considering responsibilities of the different activities, the marketing function covers the communication of the organization’s services and products to the markets to develop customer demand. The product or the service function covers generating the “new and modified” services and products to produce the possible future customer demand. The operations function covers creating and delivering based on the demands of the customers creation and delivery of the products and services offered (Slack, Brandon-Jones & Johnston 2016: 32).

Slack, Brandon-Jones and Johnston (2016: 32) also argue that all the operations in any corporation could be modelled in to input-transformation-output processes. These processes have all inputs needed in order to transform the resources that are generally divided in to two categories, the facilities and the staff. These transformed resources include a mixture of customers, materials and information. Part of the operations also produce only products or the services while mainly cover the intangible goods and less tangible services (Slack, Brandon-Jones and Johnston 2016: 32). Considering the operations within airlines, the inputs of airline operations can be considered to be the flight and ground crews, freight, as well as the passengers.
As Slack, Brandon-Jones and Johnston (2016: 5) demonstrate, the “Operations management is the activity of managing the resources that create and deliver services and products. The operations function is the part of the organization that is responsible for this activity. Every organization has an operations function because every organization creates some types of services or products”. Before considering more in detail the operations within airlines, has to be discussed that what are the airline operations? According to Slack, Brandon-Jones and Johnston (2016: 33), the airline operations cover the boarding of the passengers, baggage reclaim, baggage drop, maintenance, dispatch, the main activity; flying the passengers and cargo in addition to the service onboard the aircraft. All these activities play a critical part in the operations success.

Operations Control (OCC) is the corporate business unit or the operational department which task is to manage and coordinate the processes of airlines daily schedule, as planned (Johnson 2013: 23). Johnson (2013: 23) argues that the primary of the operations control is to “anticipate and minimize the performance, service and cost impact of irregular operations”. The question arises, what contribution should the OCC have to an airline? According Johnson (2013: 29) the OCC’s main functions include to support positive business results, try to minimize the schedule disruptions, manage the daily operations of an airline as planned, maximize the revenue retention and try to direct the most cost-effective plan concerning the returning to schedule. Johnson (2013: 34) also argues that the “effective operations planning, and control should continuously seek the optimum cost-effective balance between operational reliability, service quality, cost management and revenue maximization”.

In addition, the service delivery has taken huge steps during the past decade. Previously, can be argued that the customer-processing operations were considered as a low-level technology. Nowadays, the airlines have adopted this new technology in order to improve their customer service and cost effectiveness. Good examples of this technological development are the airlines mobile apps that allow you to check in with your cell phone and for example onboard entertainment; nowadays you can surf on the internet and watch movies while you are on 40000 feet on air. Slack, Brandon-Jones and
Johnston (2016: 33) argue that these factors as well as several other contributions are big part of the airlines service delivery nowadays.

3.2 Current state analysis

In my previous research study, dissertation done for University of Wolverhampton (United Kingdom), I focused on comparing how the operational processes differ between traditional and low-cost airlines, with focus on two examples, Finnair as a representative of traditional airline and EasyJet as a low-cost representative. Before going further in this study, in this section is discussed the main arguments of the previous study as a background information.

In the research project, the conclusion was that the operational processes among the low-cost airlines and traditional airlines tend to differ significantly depending on the operational process. Overall, all the differences are relatively visible, however, the greatest variation in operational processes between the low-cost carriers and legacy carriers relate to the operated fleet, turnaround time during the ground operations and at the service operations provided to customers. Despite that the business models of the airlines might guide towards certain network configuration; the outcome might still be very different. Can be argued that traditionally, the low-cost carriers have been classified to point-to-point model and traditional airlines either to hub-and-spoke or to multi-hub-and-spoke model (Lordan, Sallan & Simo 2014: 113). Considering briefly the models, according to Lordan, Sallan & Simo (2014: 113), the hub-and-spoke network model connects airlines all destinations to one main airport, called as a hub. On the other hand, the point-to-point network model links the airports with direct separate routes (Lordan, Sallan & Simo 2014: 113). Multi-hub-and-spoke model is a version of the hub-and-spoke model where an airline operates from multiple hubs (Lordan, Sallan & Simo 2014: 113).

Also, the traditional airlines tend to have a lot heavier cost structure compared to the low-cost airlines, which can be argued to be a result from better collective bargaining agreements for employee’s and from heavier costs related to labour, in addition to overall heavier cost structure (Dron 2017). On the other hand, the basis for the low-cost model
airlines strategy is based for the carrier’s capability for it to compete with the price versus its competitors to achieve the cost advantage (Francis, Dennis, Ison & Humphreys 2007: 68). Also, can be seen important that the low-cost airline seeks to obtain the cost leadership, or the competitive advantage through differentiation.

EasyJet is a great representative of a low-cost airline with the point-to-point network and no-frills customer service, and on the other hand Finnair is a good representative of a legacy carrier with its high differentiation in products offered and hub-and-spoke network strategy. Finnair is one of the oldest airlines still operating and EasyJet on the other hand a key airline in the European low-cost market, so the point of beginning the comparison was completely different. Can be argued that both of the airlines are still doing well in their sector of business and both are growing more rapidly than ever before. EasyJet has a long history with profitability and during the recent years Finnair after struggling in the beginning the decade has managed to turn itself profitable due to the heavy savings programs during the past few years. As the fleet represents and relates to the major part of the airlines operational processes, both of the airlines have an economic and modern all Airbus fleet. This allows both of the airlines to benefit from economies of scale with the high level of commonality in their operational processes.

<table>
<thead>
<tr>
<th>Airline</th>
<th>EasyJet</th>
<th>Finnair</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country of origin</strong></td>
<td>United Kingdom</td>
<td>Finland</td>
</tr>
<tr>
<td><strong>Founded</strong></td>
<td>1995</td>
<td>1923, as Aero Oy</td>
</tr>
<tr>
<td><strong>Headquarters</strong></td>
<td>London Luton, UK/Wien, Austria</td>
<td>Helsinki, Finland</td>
</tr>
<tr>
<td><strong>Business model</strong></td>
<td>Low-cost carrier</td>
<td>Full-service carrier</td>
</tr>
<tr>
<td><strong>Network configuration</strong></td>
<td>Point-to-point model</td>
<td>Hub-and-spoke model</td>
</tr>
<tr>
<td><strong>Destinations</strong></td>
<td>Over 1000 across Europe and Middle East</td>
<td>Over 125 across Europe, Asia and North America</td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td>Several, including EasyJet Europe and EasyJet Switzerland</td>
<td>Several, including Nordic Regional Airlines and Finnair Cargo</td>
</tr>
<tr>
<td><strong>Fleet</strong></td>
<td>Single type, all Airbus fleet of A320 series (Neo)</td>
<td>All Airbus fleet, including A320 series, A330 and A350</td>
</tr>
<tr>
<td><strong>Vision/Strategy</strong></td>
<td>To develop strong or leading positions in Europe’s major airports and fly passengers between airports that where people want to travel “with optimized frequency”</td>
<td>To offer a unique Nordic experience to its customers and to offer to its customers the fastest and smoothest connections between Europe and Asia</td>
</tr>
</tbody>
</table>

Figure 1. Company profiles of EasyJet and Finnair.
To conclude the current state analysis, EasyJet and Finnair are great examples of their low-cost and legacy business models. The overall gap in the operational processes has inevitably tightened during the past decade, mostly due to the economic reasons. Can be argued that while the low-cost carriers have maintained or even improved their level of service and products, many of the traditional airlines have been forced to cut their service operations due to the economic situation and pressure from the low-cost carriers with their lower air fares.

3.3 Brexit

Since the June of 2016, there has been a lot of discussion and great amount of speculation around the possible and evitable effects of Brexit to the airlines and their operations, as well as to the whole globe. Depending on the unknown outcome, there are different scenarios of the possible effects. The worst scenario would be the "hard Brexit", a situation where UK leaves the European Union without an agreement, leaving UK in the possibly worst chaos since the world war two. The following is a short discussion of the different scenarios and of the background of Brexit.

3.3.1 What does the Brexit mean and why is United Kingdom leaving the European Union?

According to Hunt and Wheeler (2019), Brexit is a word, portmanteau, that is used of saying that Britain is leaving the EU, the withdrawal of United Kingdom from the European Union. Brexit merges the two words, Britain and exit which builds the word Brexit. The withdrawal is consequence of referendum, held in 23rd of June 2016, when 51,9 per cent of UK citizens supported the withdrawal.

To make the withdrawal possible, UK had to invoke the Article 50 of the Lisbon Treaty. The article 50 of the Lisbon Treaty gives the both sides two years to agree the terms considering the withdrawal. The process was launched on 29th March of 2017 by UK’s Prime Minister Theresa May. This means that if nothing else is decided, UK leaves the
European Union at 11pm UK time on Friday, 29\textsuperscript{th} of March 2019 (Hunt & Wheeler 2019). The process can be extended only if all the 28 European Union members agree.

According to several different sources, there are basically three to five different scenarios of Brexit, however, depending the timing, the likelihood of each scenario varies. The first scenario is that UK leaves EU without any agreement (Barnes 2019). This would the so called "hard Brexit", which threatens to drive UK in the recession and significantly slow the economic growth of the European Union, in addition to cause several legal problems. As UK is the world’s fifth biggest economy, the possibility of losing access to its biggest exporting market, the single market, in overnight, the consequences to the aviation industry as well would be catastrophic and cost billions of Euros.

The second option is that there would come a huge re-negotiation to the current Brexit deal. However, this scenario seems quite unrealistic since it would require that UK would first have to make a request to EU for an extension and this extension would have to be accepted by every member country of European Union (Barnes 2019). The results of this unrealistic scenario are highly speculative; however, the extension is possible.

The third scenario of Brexit is that the British government would choose to have another referendum (Barnes 2019). However, this scenario is also starting to look more and more unrealistic. According to Barnes (2019) another referendum would require extension to Article 50 and simply there would not be any more time to hold another referendum before the 29\textsuperscript{th} of March. Also, the rules for referendum are set by law, and the current legislation would require a modification before the possibility of holding the new referendum (Barnes 2019). According to Barnes (2019), other possible scenarios would be to call general election or another no-confidence vote by labour party. However, these scenarios are also quite unlikely to take place. Another possible scenario is to delay the whole Brexit process until the British Parliament is ready to accept the already made agreement.

The consequences to the British economy have already been significant, despite that the decision which Brexit scenario takes place has not been decided. According to Partington (2019) the Bank of England has calculated, that the cumulative total of lost GDP since
23 the June of 2016 is around £55 billion. Partington (2019) also argue that the cost of Brexit to UK is currently £40 billion a year or about £800 million a week in lost income. Can be argued that since the referendum in June of 2016, while the rest of the world has recorded strong growth, the UK’s economic growth has slowed significantly. Considering the hard Brexit scenario, the result could even force emergency cuts in the interest rates (Partington 2019). The effects of Brexit to the British economy are inevitable.

3.4 European Single Market

Within the European Union, first of the fundamental freedoms of belonging to the internal market is the elimination of customs duties and quantitative restrictions, as well as the prohibition of measures having an equivalent effect (Mayer, Hautz, Stadler and Whittington 2017: 282). Basis for the European Single Market, seeking to guarantee the four freedoms, the free movement of goods, capital, services and labour, is based on the Articles 26 and 28-37 of the Treaty on the Functioning of the European Union TFEU (Maciejewski 2018).

Christidis (2016: 106) argues that one of the clearest examples of the integration led by EU is the internal aviation market. Prior of 1992, the aviation market inside the European Union was basically disintegrate between the national markets of the EU Member States, every country having own bilateral restrictive agreement with each other EU Member States. Since the development of the EU Single Market in 1992, all the national markets of the EU Member States were merged and all the national carriers were classified as EU carriers (Christidis 2016: 106). This resulted that there were no anymore restrictions on the capacity, access to the market and the unrestricted pricing was available for airlines. Also, the common guidelines for the aviation were applied beyond the European Union.

The countries around the globe have unique agreements with other countries that permit airlines to fly on international basis (Efthymiou and Papatheodorou 2018: 557). Since UK is still at the moment member of European Union, the British airlines are covered by the single market concerning air services. This means according to Morris (2018) that,
all the airlines member of the EU that are following common regulations are permitted to operate without restraints inside the European Union without needing any additional permissions. The agreement is extended to concern Norway, Iceland and Liechtenstein by their membership within the European Economic Area EEA, which creates the European Common Aviation Area ECAA (Morris 2018). If the UK is set to leave the EU without agreement, the British airlines might find themselves in a situation where the planes are grounded caused by the loss of their right to fly to European Union area (Morris 2018).

Due to the uncertainty of this situation, some of the UK based airlines started to already in 2018 move their fleet to their subsidiary companies in order to maintain their rights to operate inside the European Union, in case of the “hard Brexit”. According to Tanskanen (2018) the airline under review, EasyJet, has already transferred over 100 aircrafts to its Austrian subsidiary in Wien in order to maintain the rights to operate inside the European Union. Another example is the charter flight operator TUI fly, which is currently seeking new owners inside the EU to maintain the operating rights to fly the European tourists to holiday.

3.5 Open skies agreements

According to Christidis (2016: 105) the Open Skies agreements form the grounds for the European Union’s external policy concerning the aviation. Open skies agreements are the bilateral agreements between EU and other countries setting up guidelines for aviation. These agreements form the basis for the liberalisation of aviation between the European Union and the globe. According to Christidis (2016: 105) they are the basis for opening of the markets and promoting the fair competition. Christidis (2016: 105) also argues that the liberalisation concerning the markets of aviation lowers the prices and increases the passenger volumes. This also increases the amount of competition and therefore reduces the profit margins and ads pressure to the airlines. However, opening of the aviation markets can create new opportunities for economy and investments. One of the biggest segments relating to the Open Skies Agreements are the Europe-USA
markets. Big part of the external aviation is built over the Atlantic Ocean and takes a big share of the overall income for airlines.

The aviation policy concerning the external aviation of European Union, the Open Skies agreements within the “third countries”, can be seen as the main step in aviation liberalisation of aviation between the EU and its external partners. If the worst scenario, the “hard Brexit” takes place, this basically means the end of Air Transportation Agreements of UK. According to Khan (2018) the impacts of Brexit are far more than only the business interest of airline industry. Considering the consequences of hard Brexit scenario, the possibility of disruptions for UK airports and grounded planes are just the beginning (Khan 2018). " Can be argued that the airlines of UK are going to face significant difficulties in case of the “hard Brexit”.

3.6 European Aviation Safety Agency (EASA)

Safety is the priority for every airline, or at least it should be. Big part of the airline’s operations are planned with safety first mentality. Considering historically, the aviation’s safety has gone to better direction due to the development of technology and improvement of safety procedures. Also, the amount of consideration towards safety has grown due to the increase in awareness of passengers. According to Simmons (2018), the aviation safety means the system or the organization which risks are associated with the aviation activities and directly support the operations of the aircraft and these risks are controlled and reduced to the acceptable level.

The European Aviation Safety Agency (EASA) is EU’s agency responsible for the safety of civil aviation. EASA was founded in 2002 and it employs almost thousand professional’s and experts (EASA 2019). The headquarters are located in Cologne and it has currently 32 member states (EASA 2019). EASA’s mission is to “Ensure the highest common level of safety protection for EU citizens, Ensure the highest common level of environmental protection, Single regulatory and certification process among Member States, Facilitate the internal aviation single market & create a level playing field, Work with other international aviation organizations & regulators” (EASA 2019).
Relating to Brexit, and especially to "hard Brexit", according to Gubisch (2018) the UK government has given a warning that if the UK leaves the European Union without agreement, all the certificates issued by the country’s Civil Aviation Authority (CAA) under the EASA’s safety regulations might not be valid after the Brexit. Basically, everything related to aviation are regulated with different types of certificates. This involves the certificates such as CAA licenses and approvals for the crew members, aircraft operators, training organizations, maintenance providers and aerospace manufacturers (Efthymiou and Papatheodorou 2018: 557). All these are regulated under the EASA regulations and maintain the validity across the European Union and external countries such as Switzerland and Norway, that are part of the EASA system (Gubisch 2018). If these certificates are lost due to the no agreement situation, the airlines and operators lose their validity to operate inside the EU and this means that the operational processes are affected significantly.

3.7 Possible Brexit effects to EasyJet’s and Finnair’s operational processes

Christidis (2016: 106) in his journal argues that, the relevant issues concerning the dynamic evolution of low-cost carriers’ network is the geographical aspect. While the liberalisation is the power allowing the presence of the low-cost airlines, legacy airlines maintain still the superior appearance in the main European airports such as London Heathrow Airport, Paris Charles de Gaulle Airport, Amsterdam Schiphol Airport and Munich Airport. One of the reasons for the outcome is the development of hub-and-spoke model networks that are focused around one or a few hub airports while the low-cost carriers prefer the point-to-point connection mainly between secondary airports due to the cheaper fares (Christidis 2016: 106).

Francis et al. (2007: 391) argue that the basis for the low-cost airline’s strategy is that the airline is able to challenge its competitors’ prices even after achieving the cost advantage. The key for the strategy is that low-cost airline seeks to maintain the cost leadership, however, some of the low-cost airlines try to achieve the competitive advantage even through differentiation.
The operations considering the activities and functions within airlines can be divided to three main functions; flying the passengers and cargo to destination, ground handling which includes activities while the aircraft is at ground, and service for the passengers before, during and after the flight (Díaz-Ramírez, Huertas and Trigos 2014: 68-78). In the following, the possible effects of Brexit to EasyJet and Finnair will be discussed through the three different operational processes, the flying operations, the ground operations and the service operations.

3.7.1 Flying operations

For many passengers, the flying operations are the most visible part of air travelling. The flying operations are constructed of many complex processes in order to successfully an airline to operate even a single flight (Efthymiou and Papatheodoroub 2018: 556). Due to the Brexit, the operational processes will be affected, however how, the outcome is still unclear. As is explained above, the EASA’s role for the Europe’s aviation is critical and therefore affect the flying operations of the airlines. As EasyJet is a British airline, it is affected more than Finnair, despite that UK and especially London Heathrow Airport are one of Finnair’s focus cities.

Considering the effects of Brexit, despite the outcome, when the UK ceases its membership of the EASA, the European Union rules concerning the civil aviation, no longer effect to UK. According to study of The International Air Transport Association IATA (2018: 31), if there is no agreement done by the period of withdrawal, all the certificates issued by the EASA to the owners in the UK no longer are in effect, the certificates issued by the competent authorities and legal and natural persons of the United Kingdom will no longer be valid outside of the UK, aircraft operators from the UK will be considered as the third country operators and will require an authorization from the EASA. Also, all the aircrafts registered to United Kingdom will be required to comply with the basic regulation. This also applies to wet leasing the aircrafts registered to UK. In addition, the safety certification will no longer cover the airlines of UK, pilots, aircraft, cabin crew members, engineers, airports, flight simulators and aircraft part manufacturers (IATA 2018: 21). Also, all the aircrafts, engine parts, propeller parts and
other appliances made in UK would miss the certification. This would be huge problem for the European aircraft manufacturer Airbus which has a lot of operations in the UK.

Without an agreement, concerning the recognition of UK standards, any aircraft part manufactured or even maintained at United Kingdom will no longer be valid to fly under EASA certification (IATA 2018: 31). This would result also that all the aviation parts under the EASA’s jurisdiction would be treat with the same procedures as the other third country parts. According to the aviation experts (IATA 2018: 32) in the worst-case scenario, this would lead to the massive disruptions in the supply chain, invalidation of aircrafts used globally and that planes would be grounded. Also, some reports suggest that the UK airlines and airlines that are using British manufactured aircraft parts may in the future have to pay compliance of the Federal Aviation Administration (FAA) or even to fly the aircrafts to facilities approved by US, in order to gain the necessary certificates.

Considering the effects to EasyJet and Finnair, the biggest sufferer is of course EasyJet, however Finnair’s UK operations will also be affected. As EasyJet is headquartered in the UK, the operational processes especially related to flying are in danger. As stated above, in the worst-case scenario all the certificates and licences of for example pilots, engineers and cabin crew are terminated from the British airlines. However, according to Katz (2018), EasyJet has already minimized the risk by shifting its 1400 pilots to be based to Austria and Germany in order to keep the licenses valid. The move of the licences is not the only effort to minimize the effects since already in 2017 EasyJet established a new airline which is based In Vienna Austria specially to keep even the 100 transferred planes to fly after the Brexit if the worst-case scenario takes place (Katz, 2018). Katz (2018) argues that UK is already suffering from the shortage of skilled aviation professionals, which will not going to better direction after the Brexit.

Considering Brexit’s effect to Finnair’s flying operations, the future availability and management of slots especially for the London Heathrow Airport will probably have the biggest effect among the possible effects to flying safety regulations after UK has left the EASA. As Finnair currently flies to Heathrow Airport up to six times a day and twice a day to Manchester (Finnair 2018), the slots play a critical role in the planning and flying processes. Heathrow is an important hub for especially Finnair Cargo and one of the
main transit airports for Finnair’s passengers who are continuing their journey across the Atlantic Ocean. If the transit passengers’ journey is getting more complicated at Heathrow, this might have a negative impact to Finnair’s Heathrow flying operations among the cuts in the amount of flights and cargo. Another aspect are the safety regulations which might complicate the flying operations to and from the United Kingdom. If the operational processes concerning safety invalidate, the whole fluency of the operations are at stake.

3.7.2 Ground operations

According to Warner (2018), the United Kingdom has one of the busiest airport systems in the world and the system served over 268 million terminal passengers during 2016. The UK airports handled over 2.4 million tonnes of freight in 2016 and the aviation industry is worth of £22 billion to UK economy (Warner 2018). Can be argued that the ground operations play an important part in the success of the customer and travel experience. As with the flying operations, the ground operations also are built by complicated planning and implementation processes. According to the IATA’s research (2018: 19) the potentiality of the UK authorities restricting competition for ground handling services for airports at UK after the Brexit environment might result in implications of choice, in quality of the service and in the increase of price for airlines.

Ground handling operations represent typically between 5 to 10 per cent of the airlines total operating costs (Stamp 2016: 22). Ground handling operations cover areas of catering, maintenance, baggage handling, refuelling and the transportation inside the airport ground. As with the flying operations, the ground operations are also strictly monitored and regulated. Currently, UK airports serving over two million passengers yearly cannot limit the number of third-party operators of ground services without permission from UK’s Civil Aviation Authority CAA (Stamp 2016: 23). Can be argued that this might change as a result of Brexit.

Considering the possible Brexit effects to EasyJet’s and Finnair’s ground operations, as discussed earlier, all the certificates are currently regulated by the UK’s Civil Aviation Authority. These certificates include for example the maintenance personnel’s certificates
which results that the aircrafts might not be possible in the future to maintain at the UK, which might result higher operating costs especially for EasyJet which is based at London Luton Airport. From the passenger’s perspective, the possible changes to UK customs and border control procedures might have the biggest effect. For example, London Heathrow Airport is a popular transit airport due to its good connecting flight possibilities and one of the most popular routes for Finnair’s passengers who continue their journey across the Atlantic Ocean. At the moment, the transit passengers do not have to go through additional security checks while transferring the flights, however, the withdrawal from the European Aviation Safety Agency might result in additional checks which affect the transit passengers’ journey.

Overall, while can be argued that the Brexit might reduce the competitiveness of airlines ground operations to and from UK in terms of higher operational costs and quality of ground handling service providers, the changes in regulations still require modifications to UK legislation. EasyJet is naturally a bigger sufferer in any case due to its main operations are located in UK, however Finnair might as well suffer the consequences of Brexit since the UK is important market for it within the Europe. As mentioned earlier, Heathrow is one of Finnair Cargo’s hubs, so in case of customs regulations or other changes regarding ground operations might and will have a negative impact on the competitiveness of Finnair.

3.7.3 Service operations

As discussed earlier, the airlines service delivery has taken huge steps especially during the past decade. While earlier the operations of customer processing were seen as a low-level technology in the past, nowadays airlines have adopted and understood the importance and possibilities of the new technology, especially in terms of improving their customer service, cost effectiveness and even earning extra profits (Slack, Brandon-Jones & Johnston 2016: 33). While in the beginning of the century the check-in was made traditionally at the airport with the help of the airlines Gate agent, nowadays you can easily check in with your mobile phone or tablet (Badicu & State 2016: 4). Today you can also watch movies or even surf on the internet while you are 40000 feet on the air (Slack, Brandon-Jones and Johnston 2016: 33). Can be argued that nowadays the
new developments and contributions towards airlines service operations contribute greatly to airlines service delivery.

Can be argued that most direct service that an airline can provide to its customer is the in-flight service during the flight. Most of the passengers tend to evaluate their satisfaction of the flight based to service on-board (Park et al. 2004, in Journal An & Noh 2009: 294). Overall, the airline’s service operations can be classified to three different activities, the service operations before the flight, during the flight and after the flight. These operations include for example check-in services, in-flight service and the transit service.

As considering the effects of Brexit to EasyJet’s and Finnair’s service operations, the effortlessness and functionality of the check-in, boarding and other service operations has to be considered. As the free movement of goods and labour might face customs and restrictions due to the Brexit, the satisfaction level of service might face a downward trend especially considering the EasyJet’s operations. As mentioned earlier, EasyJet has already transferred part of its fleet and crew to Austrian base, however, the future in finding the competent professionals to service operations might face difficulties due to the restrictions (Dron 2017). As the level of passenger’s expectations have risen due to the technological development, people are more aware how they should be served. Also, nowadays the awareness of passenger rights has increased and the expectations are harder to fulfil which causes additional pressure to airlines. Despite the fact that the prices of air tickets has dramatically fallen compared to 20 years back people are still expecting more value for their money.

Considering the inflight service, the availability of goods and beverages served, or in EasyJet’s case sold during the flight, at the UK airports might face difficulties also due to the Brexit and the possibly changing customs regulations. There has been a great amount of speculation of the possible customs issues with the withdrawal of the EU. This would concern also Finnair’s UK operations, especially at London Heathrow. The effects to airlines ticket sales are still unknown and how the Brexit might affect for example to transfer passengers’ journey, how does the transferring for flights at UK airports. At the moment a Finnair’s transfer passenger do not have to go through the security check
between the flights due to the aviation regulations, however if the hard Brexit scenario takes place, the additional security check might be reality in the future. Overall, the airlines service operations will be affected, however the level and how significantly will be find out in the future.

To briefly conclude the literature view, can be argued that the airline industry is a complex industry with strict regulations and complicated operational processes. The Brexit can be seen as an unpredictable variable which results are still unknown and can be only speculated. The effects to European aviation industry might be catastrophic, however, the aviation and airlines within United Kingdom take the biggest hit in case of “Hard Brexit” withdrawal. Also, the regulations and certificates issued, and different authorities and associations such as Civil Aviation Authority and European Aviation Safety Agency play a big role how smooth the transition will in the future be. What comes to the airlines under review, operational processes of flying, ground and service operations, the EasyJet is naturally the one which takes bigger hit than Finnair due its location at the UK. However, Finnair is also affected due the importance of UK markets and the transit passengers and cargo which continue their travel across the Atlantic Ocean.
4 Analysis and results

Overall can be argued that the whole airline and aviation industry is on the path of change. Technology plays much bigger role in the aviation than ever before. The development of technology and especially the internet has made possible the airlines to improve their service operations and develop the efficiency of other operational processes to become even more cost-effective. The competition among low-cost airlines and legacy carriers has also tightened during the recent years, with low-cost airlines widening their offering of services on-and offboard the aircraft, as presented in the figure 2, with focus on the ancillary revenue. In the figure 2, the ancillary revenue presents the income earned for example from the beverages sold during the flight and paid seat reservation and the Travel services include the revenue from for example Finnair Holidays.

![Key revenue sources](image)

Figure 2. Key revenue sources for EasyJet and Finnair. (Source for data: EasyJet annual report 2018 and Finnair annual report 2018).

As discussed in the third chapter, in the literature view, Brexit can be seen as highly complex and vulnerable variable for the airline industry. Depending the outcome and scenario of Brexit, the effects might vary from catastrophic, to no major effect to operational processes. As with other industries, the airline industry is highly complex and competed industry where nothing comes for free. Can be argued that many intra-
European routes are highly competed which has forced the carriers to lower the prices and cut services. This had led to the situation where some of the big players of the European airline markets have gone bankrupt, including Air Berlin and Monarch, which both ceased their operations in October 2017.

![Fleet](image)

**Figure 3.** Number of aircraft by the end of 2017 and 2018. (Source for data: EasyJet annual report 2018 and Finnair annual report 2018).

According to Calder (2018), in case of no-agreement withdrawal, even 5 million flights could be at risk. Both of the airlines under review, EasyJet and Finnair, have grown rapidly during the recent decade and both of them are also growing and renewing their fleet in the future as well, as presented in the figure 3. Considering the effects of Brexit to British aviation and therefore to EasyJet and Finnair, in case of no-agreement withdrawal, which has started to look more and more realistic, the growth might and probably will decrease due to the Brexit. According to Calder (2018), the no-agreement withdrawal would limit the departures in 2019 of UK airlines to the same level than they were in 2018 which has a direct effect to airlines flying operations. For example, if EasyJet has two daily flights from London Luton Airport to Copenhagen, they could not add a third daily flight due to the Brexit. This regulation would have a significant impact for an airline that is currently experiencing and seeking high growth in the future. This would also concern opening new routes which would not be possible.
Considering the overall future estimations of air passengers, according to IATA's forecast (2018), the current 4 billion yearly passengers are expected to almost double up to 8.2 billion passengers in 2037, as presented in the figure 4. According to the same forecast (IATA 2018), the European markets will grow annually 2 per cent which is roughly estimated 611 million passengers. The overall size of the European market will be 1.9 billion passengers. As the globe and businesses are demanding growth, especially from abroad, the connectivity around the world is also experiencing growth, despite the development of technology and nowadays possibility to for example have online meetings and conferences. The airlines, especially British airlines will face difficulties to answer to this growth in demand if the transportation from the UK is restricted towards EU. Currently, considering the UK’s exported goods and services covering 30.2% of total UK’s Gross Domestic Product (GDP), over 50% are delivered within European Union trading partners (Workman 2019). Can be only speculated that how significant the importance of EU to UK is in terms of trade and transportation, since if the airlines and transportation companies cannot answer to the demand, the foreign trade will suffer significantly.
4.1 Preparations for Brexit

Taking into consideration the airlines under review, EasyJet and Finnair, both airlines have made serious preparations regarding the Brexit and possible effects to their operational processes. As the uncertainty is still present due to uncertainty of the outcome, both airlines give their best effort to make sure that they are able to continue their operations after the Brexit. Of course, Finnair’s operations would continue without significant arrangements since the airline is not a British airline, however Finnair has also made preparations since the UK is an important market and Heathrow important transit airport for its passengers. In the following is discussed how the two airlines have prepared to minimize the effect of Brexit to their operations.

4.1.1 EasyJet’s actions

As discussed earlier in the third chapter, EasyJet has already made significant preparations regardless of the outcome and scenario of Brexit. To maintain the operational ability, EasyJet has established in 2017 a subsidiary company EasyJet Europe to Vienna, Austria to maintain its Air Operator’s Certificate at EU and therefore to maintain the rights to operate flights within the European Union, even after the UK leaves the European Union. As part of this Brexit plan, EasyJet has re-registered over 130 aircrafts to its Austrian subsidiary in addition to transferring over 1000 pilot and 3300 cabin crew certificates to EasyJet Europe in order to maintain the EASA’s safety certification (Dyson 2019).

As part of the Brexit plan, EasyJet has also built and created an additional spare parts hub within EU to minimize the possible supply chain disruptions between Europe and the United Kingdom (Dyson 2019). Regarding the no-deal scenario, EasyJet has also increased the level of EU ownership in order to maintain the flying rights, as the requirement is that 50 per cent of the airline is owned by the European Union shareholders. Can be argued that overall EasyJet has well prepared to any possible scenario of Brexit. However, despite the heavy preparations there are still external risks that might affect the flying, ground and service operations especially in the no-
agreement case. Overall these risks are more difficult to estimate and the less certain such as consumer confidence and other operational risks.

4.1.2 Finnair’s actions

Finnair has also made preparations regarding the Brexit. Despite that the airline is in completely different position concerning the effects to its operations compared to other case airline EasyJet, the Brexit and especially no-deal scenario would have effects to its flights to and from UK. As explained earlier in the third chapter, UK and especially London Heathrow is important destination for Finnair and its transit passengers. Despite that Finnair has not publicly released its detailed Brexit plan, part of the plan could include transforming the capacity to other destinations if the traffic rights to UK are jeopardized. So far, the Heathrow Airport has been important transit hub for airlines, however the estimations speculate that in the future the straight traffic across the Atlantic Ocean will increase and therefore decrease the amount of flights from UK. Concerning the capacity transformation to other destinations and across Atlantic instead of Heathrow, Finnair has launched a direct route from Helsinki to Los Angeles starting from March 31, 2019 (Valpola 2019).
4.2 Results, how the Brexit will affect the airline’s operations

In the figure 5 is gathered and presented the Brexit results of flying, ground and service operations to EasyJet and Finnair. The overall effectives are also considered and discussed.

<table>
<thead>
<tr>
<th>Airline</th>
<th>EasyJet</th>
<th>Finnair</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brexit effects to flying operations</strong></td>
<td>Pilot and cabin crew licences and certificates. UK based aircraft airworthiness through certification might be in danger.</td>
<td>No major effect to other than UK operations. Landing slots especially in Heathrow might be affected.</td>
</tr>
<tr>
<td><strong>Brexit effects to ground operations</strong></td>
<td>Maintenance certification and possible disruptions to supply chains in every process.</td>
<td>Fluency in operations at UK in danger. Supply chains and spare parts might be harder to find.</td>
</tr>
<tr>
<td><strong>Brexit effects to service operations</strong></td>
<td>Might face difficulties through supply chains disruptions and therefore affect the service delivery. Overall smoothness of the travel experience will suffer significantly.</td>
<td>Might face difficulties through supply chains disruptions in UK operations and therefore affect the service delivery. Customs and additional service checks, transit passengers might face difficulties.</td>
</tr>
<tr>
<td><strong>Overall effectiveness of Brexit</strong></td>
<td>Well prepared. Maintains the operational capability through EasyJet Europe, however will face significant difficulties in all operational processes especially in hard Brexit scenario.</td>
<td>Well prepared. No major effect to operations other than to UK operations, however the supply chains may face disruptions and difficulties.</td>
</tr>
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Figure 5. Major effects of Brexit through different operational processes.

4.2.1 EasyJet

As Díaz-Ramírez, Ignacio Huertas and Trigos (2014: 68) argue, the basis for the operational processes of airlines rely on the careful planning and efficient choice of future fleet. Taking in to closer consideration the effects that Brexit might result in flying, ground and service operations of EasyJet, the overall operational stability has to be taken in to account. As discussed above, major part of the Brexit risks related to EasyJet’s flying operations are related to the certificates and licenses of pilots, engineers and cabin crew. Another risk, which is not direct, but perhaps related to Brexit is the possible shortage of qualified personnel in case of the free movement of labour ends. Can be argued that UK is already facing difficulties to find qualified pilots and staff and the situation unlikely is going to go to better direction in the future.

The possible license and certificate issues concern the ground operations as well, as presented in the figure 6. As mentioned earlier, all the certificates are currently regulated
by the UK’s Civil Aviation Authority, however the validity might become an issue, and the aircrafts might not be possible in the future to maintain at the UK, which might result higher operating costs especially for EasyJet which is based at London Luton Airport.

The competition of ground service providers might also be affected; however, the evidence of the outcome is not clear. While can be argued that the service delivery plays such an important role in today’s customer experience, the possible smoothness of travelling within UK might suffer significantly due to customs and additional security checks. As a result of Brexit, the supply chains might also disrupt which might generate difficulties in providing the promised customer service during flight and at ground including boarding and check-in operations. As the satisfaction is growingly important, the Brexit might also produce issues to find competent service professionals to UK.
**EasyJet**

**Infrastructure**
- Two headquarters to avoid Brexit effects
- London Luton, UK and Wien, Austria

**Technological development**
- Tickets sold online
- Program in boarding for efficiency
- Interned while onboard

**Procurement**
- Single aircraft family fleet
- Over 50 per cent ownership inside EU
- Additional spare parts hub to Europe

**Human resource management**
- Shortage of pilots and cabin crew
- Difficulties to find competent service professionals

<table>
<thead>
<tr>
<th>Inbound logistics</th>
<th>Operations</th>
<th>Outbound logistics</th>
<th>Marketing and Sales</th>
<th>Service</th>
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<tr>
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<td>EasyJet holidays</td>
<td>Ticket sales online</td>
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<td>Spare parts</td>
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<td>Traffic rights</td>
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Figure 6. Value chain analysis of EasyJet.

Considering the overall situation of EasyJet and the possible effects of Brexit to its operations, the airline is prepared well to any possible outcome and scenario. While the operational processes might and probably will suffer especially in case of the hard Brexit, the airline will maintain its operational capability. Despite that the operations within UK would suffer, the operational capability is secured due to its subsidiary company EasyJet Europe which is able to continue the operations despite the outcome. The effects to the operational processes differ between the process, however the supply chain issues might
have a significant effect due to the possible customs border. While the licenses and
certificates of pilots, engineers and cabin crew might become an issue at the UK, the
airline is well prepared to any scenario.

4.2.2 Finnair

Designed for you, as the slogan of Finnair goes. Considering the Brexit results and effects
to Finnair’s operations, to the beginning has to be stated that the overall operational
stability is not at risk in any scenario. Despite that the UK and especially Heathrow Airport
is important transit airport and hub for Finnair Cargo, Finnair will continue its other than
UK operations normally. However, the effects to Finnair’s supply chains might suffer due
to Brexit, relating to the maintenance and spare parts which some of them are produced
in UK. The supply chain disruptions might also affect the future deliveries of new aircraft,
as Finnair is still waiting the remaining six new Airbus A350 aircraft to be delivered. As
Finnair has been profiled as an airline transferring the passengers from Europe to Asia
and vice versa, the overall financial result also might be affected if the number of
passengers decreases due to Brexit.

While considering the effects to the flying, ground and service operations, as stated
above the operations are not at risk and Finnair is naturally in different position than the
comparison airline EasyJet through its geographical position. While the flying operations
to UK might suffer in terms of landing slots and the overall traffic rights, the airline can
always guide its capacity to other destinations, as presented in the figure 7. As
mentioned earlier, the transit traffic within UK will probably decrease in the future while
the direct traffic across the Atlantic Ocean will increase. Part of Finnair’s assumed Brexit
plan might include that Finnair reopens the Los Angeles route after long time and
therefore guides the traffic straight over the Atlantic Ocean or to even more in Asia. The
certificates and licences of pilots and crew are also not at risks, as well as the ground
personnel’s certificates. Concerning the ground and service operations, the biggest
issues relate to the possible disruptions within the supply chains of spare parts and goods
and beverages offered and sold before, during and after the flights.
Figure 7. Value chain analysis of Finnair.

The ground and service operations might also be affected in terms of custom restrictions; however, the results will be minor in the whole of the operations. Depending the outcome, one interesting question concerning the transit passengers is the need for additional security check while transferring flights at Helsinki from UK. Today there is no need for additional security checks since both countries are members of EU, however, if the hard Brexit scenario takes place the situation might be different. This might affect
negatively to the customer experience of Finnair, since one of the principles of Finnair is to provide the smoothest travel from Europe to Asia.

Considering the overall situation of Finnair, the airline is in good position. It has experienced steady growth for the past few years after difficult times and it has managed to turn itself profitable. The estimates concerning the future are good due to the investments to new aircraft and new routes. Concerning Brexit, despite the scenario and outcome, the airline will continue its operations and operational processes as before, however the operations to UK and the operational processes at UK might face some difficulties. Regardless of the outcome, Finnair has always option to guide it capacity to other markets.
5 Conclusion

Overall, the situation and twists around the Brexit have developed many times to different directions while the time has gone forward. Can be argued that the whole UK is currently in some sort of crisis and nobody knows what to do or want. As some of the rumours are speculating with the possible resign of the Prime Minister Theresa May, some could state that Brexit and the situation has humiliated the whole British nation. The situation and uncertainty have damaged the British, as well as the global economy. The outcome and which scenario of Brexit takes place has varied multiple times during the spring of 2019. As the British Parliament is still greatly divergent, the non-agreement scenario or delaying the whole Brexit process until the British Parliament has agreed to the terms of the already negotiated agreement has become more and more likely. The opinions what they should do especially inside the UK differ greatly and there does not seem to be a clear and valid way out.

Considering the overall aviation and airline industry, can be argued that the whole sector is experiencing transition. As the time has gone forward, the competition is tougher than before, and the low-cost carriers are causing increasing pressure towards the legacy carriers. This has resulted to the situation where the legacy carriers have been forced to cut costs in order to maintain even part of their market share. The situation has also made flying cheaper and more popular than ever before. Despite that the operational processes in the airline industry can be characterized highly complex, and the whole industry as highly regulated way of transportation, in terms of losses, it still is the safest way to travel.

To summarize the results, the operational processes between EasyJet and Finnair differ, as well as the effects of Brexit to their operations. Naturally, EasyJet is a bigger sufferer due to its geographical location, based at London Luton Airport, United Kingdom in comparison to Finnair’s in Finland. Big part of the effects to EasyJet’s and Finnair’s operations depend of the outcome of the Brexit, does the UK leave without or with an agreement and if so, with what kind of agreement and especially how does it effect to airlines. According to EU, at least some kind of air traffic is allowed even in the non-agreement situation, however that would still have significant impacts. Crew licences,
maintenance, aircraft parts and certificates, different authorities and associations play also important part how the Brexit will affect.

In addition, overall both of the airlines have prepared well to basically any scenario and outcome. While the operational processes of EasyJet might and will suffer especially in the case of hard Brexit, the airline will maintain its operational capability. This is possible due the fact that it has transferred big part of its fleet and pilot and cabin crews’ licenses to its subsidiary airline EasyJet Europe. The operations within UK might suffer, however, the airline would still be able to operate even the important intra-European flights. The effects would depend the operational process, however the supply chain disruptions at the UK soil would have possible harm for the flying, ground and service operations.

Considering the Finnair’s preparations, the airline is naturally in completely different position than its comparison airline due to its location inside the EU, even after the Brexit. The importance of UK markets to Finnair cannot be denied in terms of passenger and cargo operations. While most of the Brexit effects to its operational processes considering flying relate to the possible reduction in landing slots and overall traffic rights, the possible decrease in demand would harm its financial result, as well as EasyJet’s result of course. The possible custom regulations and disruptions in supply chain would harm its ground and service operations at UK soil, however, the effects would only be related to its UK operations. As the airline is focused on transiting passengers from Europe to Asia, the airline is in good position.

In terms of evaluation of the research, the objective of this research study was to find out how the Brexit might possibly affect to airline’s operational processes, with focusing to two case airlines Finnair and EasyJet. The focus was in three different operational processes; flying, ground and service operations. The study required different methods of study in order to the researcher to come to conclusion and discover the results. Overall the research can be considered as successful. This thesis will give good and comprehensive starting point for further research and a clear picture how the Brexit might affect the operational processes, depending the outcome. The theoretical framework of the study was constructed from extensive number of different sources, including international and domestic sources. Considering the recommendations for
future research, wider range of airlines could add value, as well as choosing roughly same size airlines, in terms of financial perspective and fleet to the comparison.

To conclusion, the effects of Brexit to airline’s operations and operational processes depend of the outcome of the Brexit. In case of the hard Brexit, the effects are significant to airlines, as well as to the whole Europe. In case of withdrawal with an agreement, despite the quality of the agreement, the effects are greatly smaller and probably will not affect to the airline industry as significantly. Finally, despite that can be only speculated how the situation will end, one thing is sure. Brexit will be remembered as one of the most expensive political chaos’s in history.


6 References


Appendix 1
1 (2)

Definitions

Brexit: Brexit is a word, portmanteau, that is used of saying that Britain is leaving the EU, the withdrawal of United Kingdom from the European Union. Brexit merges the two words, Britain and exit which builds the word Brexit.

Civil Aviation Authority (CAA): A corporation which oversees and regulates all aspects of civil aviation in the United Kingdom.

European Aviation Safety Agency (EASA): European Union agency responsibility of civil aviation safety.

European Single Market: A Common Market or also called Internal Market, refers of EU as a single territory without any internal borders or other regulation, guarantees the free movement of goods and services.

Hub-and-Spoke model: The hub-and-spoke model links all the airlines destinations to the main airport which is called a hub.

International Air Transport Association (IATA): A trade association of the world’s airlines, supports aviation with global standards for airline safety, security, efficiency and sustainability.

Legacy carrier: also called traditional airlines can be defined as full-service airlines, which offer premium services and the fare usually includes bag allowance, allocated seating and free beverages during the flight. Legacy carriers are usually network airlines and they typically operate more than one aircraft type.
Low-cost airline: Also called low-cost carrier, can be defined as airlines that offer lower fares with less services. Low-cost carrier’s tickets tend to be non-refundable and flat. Low-cost carriers fly usually to secondary airports and operate only single type of aircraft. As a summary, everything extra service will cost, including beverages during the flight, selecting your seat in advance and taking luggage with you.

Multi Hub-and-Spoke model: Multi-hub-and-spoke model is a version of the Hub-and-Spoke model where an airline operates from multiple hubs.

Open Skies Agreement: Open skies agreements are the bilateral agreements between EU and other countries setting up guidelines for aviation.

Operations Control (OCC) is the corporate business unit or the operational department which task is to manage and coordinate the processes of airlines daily schedule, as planned

Point-to-point model: The point-to-point model connects the airports by direct routes, unlike the Hub-and-Spoke model which operates from the main hub.