



Drones – what are the opportunities for business and how will the UK government regulate?

In recent times, drones have become the subject of increasing media, political and regulatory debate. As scrutiny intensifies, questions over security, commercial use and how tightly to regulate them are finding increasing prominence. This FTI Consulting snapshot considers what commercial opportunities drones pose and offers an outline of the regulatory steps being taken by the UK government in respect of this emerging technology.

Dangerous flying objects or revolutionary hero?

After a number of widely publicised near-misses, the first incident of a drone striking a manned aircraft in UK airspace made headlines last month. The incident brought to the fore questions over how safe drones are and how best to regulate them. At the time, the Aviation Minister, Robert Goodwill MP said that the UK must be careful that "inflammatory" media coverage of incidents does not lead to excessive regulation of drones, noting; *"[the UK] must not allow regulation to stifle innovation and must be sure that regulation is proportionate to the risk"*. There is a clear disconnect that exists between those that believe drones have the ability to revolutionise modern society, business and enterprise and those who perceive only threats. The UK government is on the side of drone enthusiasts and is keen for this emerging technology to achieve its full potential in all industries.

A new technological frontier with commercial opportunities

The world's imagination is flourishing with the variety of possibilities that commercial drones can bring to industry, retail and enterprise. According to PwC the commercialisation of drone usage in sectors from construction to insurance could lead to disruption in \$125bn worth of traditional industries, while global spending on the production of drones – for both military and commercial use – will reach \$93bn in the next 10 years.

Much of that attention and imagination has been focused on the possibility of drones delivering packages and shopping to consumers, with several companies working to develop ways to navigate urban areas safely. In the more immediate term however, there is significant commercial potential for use of drones by industries whose operations are in remote or dangerous locations. Drones offer a growing range of applications in the fields of security and surveillance and have already begun to revolutionise industries such as agriculture, energy, logistics, transport and photography. The monitoring of the integrity of large, distant infrastructure such as gas flaring at gasfields, oil rigs, windfarms and large-scale construction projects is one such area where drones can replace human surveillance; whether from the ground or aircraft.

Drones are also starting to revolutionise industries with less obvious applications. Farmers and wine growers are harnessing drones' capabilities by flying over fields, to collect accurate images of the state of planted crops and to help increase efficiencies and yields.

How then are governments responding to the challenge of regulating drones without stifling innovation or commercial use?

European Regulation

The European Parliament has made a promising start on the general sense and direction of drone regulation, via proposed reform of the 2008 Regulation on *common rules in the field of civil aviation*. That being said, developments in late 2016/2017 across the EU and individual member states, including the UK, look set to be paramount to how the chips fall for this industry.

The UK, alongside France, Germany and the Netherlands is one of the most advanced of the twenty-eight Member States; pushing on with establishing a framework around drones to enable continued innovation and commercialisation of the technology domestically. In particular, the UK is striving to get ahead with the integration of drones into the everyday, which it believes is sluggish at present.

“We are not going alone, we’re accelerating the pace, and if EASA and ICAO can keep up, then that’s great, but we [the UK] are upping the pace.”

Paul Cremin, head of UK aviation operational safety and emerging technologies at the Department of Transport (DfT).

The UK government is looking at ways to sustain its domestic market, but it hopes that this will also escalate up to benefit Europe. Playing on the mind of the government, and the Department for Transport in particular, is a lack of visibility in support for the industry from the government - something which it is going to great lengths to address. Central also to regulation and the integration of drones is dialogue with the general public. Paul Cremin, the Head of UK Aviation Operational Safety and Emerging Technologies at the Department of Transport, notes that there is a need to be more proactive in this area - if the public is not behind the introduction of drones, then the market will be challenged.

UK regulatory timeline and specifics:

In this vein, the UK government has already conducted a round-the-country public dialogue to gather the thoughts of the nation on drones. The conclusions of this dialogue are due for publication this month before the Department of Transport launches an official consultation. The consultation is likely to be wide ranging in its focus, but will take evidence on the

government’s consideration of a UK register or a licensing requirement for UAVs and geo-fencing.

UK regulatory timeline

- **May 2016** – Report on results and conclusions of “public disclosure”.
- **Spring 2016** – Public consultation on drones covering a range of options, including regulation, tracking, registration, and licensing options, including a database.
- **Autumn/Winter 2016** - Following analysis of the public dialogue projects, and the public consultation, UK government expected to publish a strategy / vision paper that will cover a decade of planning for the drone industry, with the ultimate aim allowing regular access for drones to controlled airspace in 2018.
- **2016** - Under the UK’s cross-government working group, a programme office for drones is also expected to be established.
- **2016/2017 Modern Transport Bill** – Expected to be announced in the Queens Speech, the DfT have hinted that they will be looking to use the Bill to fill any holes in drone regulation as it stands.

Conclusion

In the forthcoming 18 months, there are significant opportunities for drone manufacturers, and companies utilising or looking into developing the plentiful opportunities that drones can bring to help shape its future regulation in the UK. They should not be shy in doing so.

Paul Cremin, the UK’s policy lead on drones has made it clear that the government want to integrate, take advantage of and develop the commercial opportunities for drones;

"We want to move the barriers to this market," Cremin has stated. "The UK is open for business, and we will work with you [industry] on this."

Amy Yiannitsarou is a Senior Consultant at FTI Consulting

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting LLP, its management, its subsidiaries, its affiliates, or its other professionals, members or employees.

For more information about FTI Consulting’s public affairs team please contact Alex Deane, Managing Director and Head of UK Public Affairs on +44 (0)20 3727 1167 or Alex.Deane@fticonsulting.com



About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

The views expressed in this article are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals.