

UKTiE

The Voice of UK Transport in Europe

UKTiE Position Paper

*Delivering the best possible Brexit
for transport in the UK and EU*

This document represents the views of UKTiE and not necessarily the views of individual members.

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Introduction

UKTiE is a unique association representing twelve of Britain's leading transport companies and organisations, across all the modes. It was launched to facilitate constructive engagement between United Kingdom (UK) transport representatives, the UK Government and the EU institutions. We seek to promote the best in UK transport, share best practice with our European partners and support the work of the EU institutions in completing the Single European Transport Area.

Following the triggering of Article 50 and the commencement of the negotiations for the UK to leave the EU, the Single Market and the Customs Union, we wanted to formally present our core Brexit objectives, in the hope that they will assist the EU and the UK in the negotiations, and thereby help deliver the best possible Brexit for EU and UK transport. *

Transport plays a key role in today's economy and has a positive impact on growth and employment, directly employing around 10 million people and accounting for about 5% of EU GDP. Effective transport systems are a fundamental prerequisite for the competitiveness of European companies. UK transport is deeply integrated into EU transport networks and markets, and is a major contributor to the success and competitiveness of Europe's economy. The connectivity it provides is vital to the functioning of virtually every other industry and also enhances the lives of millions of people throughout Europe. Yet so far the importance of transport has been seriously underplayed in the Brexit negotiations. The future economic success of Britain and Europe relies on us securing an effective agreement on transport between the UK, the EU27 and the European Parliament.

The EU's Directives for the negotiation of an agreement with the UK seek, in the first phase, to provide as much clarity and legal certainty as possible to citizens, businesses, stakeholders and international partners on the immediate effects of the UK's withdrawal from the EU. This includes safeguarding the status and rights of the EU27 citizens and their families in the UK and of the citizens of the UK and their families in the EU27 Member States, the settling the financial obligations resulting from the whole period of UK membership in the Union, and the continuing support for peace, stability and reconciliation on the island of Ireland, in particular aiming to avoid the creation of a hard border.

We recognise and support these priorities, and hope we can inform the deliberations, share potential solutions and contribute to securing an agreement which is mutually beneficial, and above all delivers the best possible Brexit for transport in the EU and UK.



Mark Watts
Co-ordinator of UK Transport in Europe

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Core Brexit Objectives for Transport

1. We believe transport should be a priority during the Brexit negotiations

Transport is essential for all citizens and industries in the UK and throughout the EU, and the future success of the European and British economies is dependent on good and efficient transport. Britain's transport system is highly integrated into the European Single Market in more ways than many people imagine, from reciprocal market access and harmonised technical standards, to ownership of transport undertakings and high numbers of EU citizens working in the industry in the UK and UK citizens working in the industry in the EU. As result, we believe transport should be a priority in the Brexit negotiations, and we should aim to reach an agreement which will be mutually beneficial, avoiding the potentially severe consequences for the entire EU if the UK withdraws without a new arrangement for transport in place. Indeed the negotiating Directives seek 'provide as much clarity and legal certainty as possible to citizens, businesses, stakeholders and international partners on the immediate effects of the UK's withdrawal from the Union' and we believe in order to do so greater priority must be given to transport.

Below we provide some examples on how important and integrated the UK transport industry is in the EU Single Market:

- *The UK has the largest aviation sector in the EU and the third largest globally, after the USA and China. More than 251 million passengers passed through a UK airport in 2015 – a record number – and nearly half of all flights in UK airspace are by overseas registered airlines. The UK has the second largest aerospace sector in the world, supplying markets across the world. Bearing all of this in mind, continuing aviation and good air transport links are vital to the continuing success and growth of the UK and EU economy.*
- *The rail industry and supply chain contribute up to £10.1bn in gross value added (GVA) to the EU economy every year and enhances the productivity of the UK by an estimated £11.3bn by reducing road congestion and enabling companies to locate closer to each other. In addition to this, some 240,000 people are employed by the rail industry and its supply chain. 22 million tonnes of freight are transported through the Channel Tunnel*

each year and one in four containers arriving at British ports makes their onward journey by rail. 10 million people use international rail services into the UK annually.

- *UK ports handle the second largest volumes of seaborne freight in Europe, handling more than 500 million tonnes of freight each year, as well as over 60 million international and domestic passenger journeys. The UK ports sector is also estimated to directly employ around 118,200 people. The volume of seaborne goods handled in UK ports represented 12.9% of the EU-28 total in 2015.*

2. We believe the rights of citizens in the UK and the EU 27 must be at the very heart of the negotiations.

We agree that safeguarding the status and rights of the EU27 citizens and their families in the UK, and of the citizens of the UK and their families in the EU27 Member States is the first priority for the negotiations. Indeed we believe the rights of citizens in the UK and throughout the Member States must be at the very heart of the negotiations. Our workforce and customers are at the very core of everything we do, and we recognise the importance of re-assuring non-UK EU citizens living and working in the UK and UK citizens living and working in the EU, who are understandably extremely concerned about their future.

We believe the UK and the rest of the EU should grant them a cast-iron guarantee that they can continue to live and work in their chosen Member State after Brexit. We agree the Agreement should provide the necessary effective, enforceable, non-discriminatory and comprehensive guarantees for those citizens' rights, including the right to acquire permanent residence after a continuous period of five years of legal residence and the rights attached to it.

In particular we must retain the ability to employ staff from across Europe post-Brexit and protect current employment rights for those already employed in the UK or elsewhere in the EU.

For example airlines rely on specific employment skills, not constrained to pilots, cabin crew and engineers, but management and specialist skills that we would want to retain the ability to employ from across Europe post-Brexit.

Significant numbers of EU citizens are employed by UK airlines and significant numbers of UK citizens are employed by European airlines, therefore we believe those current employment rights should be protected for those already employed in the UK or elsewhere in the EU.

The UK railway needs skilled workers to continue operating and upgrading. We estimate that up to 20% of the industry's skilled workforce comes from EU countries. This is as much as 40% for some railway businesses. Any restriction on skilled workers will exacerbate current shortages.

Organisations in the rail industry require a high number of individuals with specific skills and expertise. This includes engineers and technicians, but also operating staff such as train drivers. As a highly complex sector with many technical facets, the industry requires the ability to continue attracting skilled workers. Further shortages have the potential to significantly delay infrastructure projects and hinder the operation of train services.

3. We seek minimum disruption to the functioning of the Single European Transport Area.

We believe that there are practical solutions to minimise disruption to the functioning of the Single European Transport Area, which could be supported throughout the EU and the UK. Given the integrated and international nature of transport, reinstating barriers or bureaucratic restrictions would not benefit any of the parties. In particular UKTiE supports the UK's continued participation in the work of the relevant EU Agencies, including EASA, EMSA and the European Union Agency for Railways (The Agency), and a new customs agreement which is both as seamless and frictionless as possible. In the coming weeks and months we wish to continue to contribute to facilitating the agreement on practical solutions which will benefit everyone.

Rail

The British rail industry has been and continues to be very supportive of the European Commission's liberalisation agenda, in particular reforms in the Fourth Railway Package which seek to open up European rail markets to competition. European and international involvement in the British franchising market is well-documented and we welcome the jobs and investment that international transport businesses have wanted to bring to the UK, to learn from and build on our successes. British businesses are also increasing their presence in mainland Europe and we want to make sure that these companies have access to markets so we can continue to export our great expertise. Both of these developments bring the sharing of experience, jobs and prosperity to Britain and the rest of Europe. Without an arrangement which allows EU companies to enjoy the same access to the UK market and UK companies to the EU market as before Brexit, there could be complications from the point of UK withdrawal from the EU.

The EU market is also critical for the import and export of goods and expertise not only for operations but also the rail supply chain. Without a contingency or transitional arrangement, trains may be seriously impeded from operating and goods critical to the supply chain delayed from crossing borders.

Standardisation is also critical in securing a Single European Transport Area. The UK applies EU technical standards for railway rolling stock and equipment. This is beneficial to the UK as it means British operators are eligible to bid for EU franchise contracts and it means rail supply-chain products, such as rolling stock, can be exported and imported to and from EU countries for use without modification.

If the UK were to stop recognising EU railway standards, there would be legal and regulatory implications for EU-based companies in the UK market, similarly there would be implications with imports from the EU. Likewise, if the UK does not adhere or exceed EU standards, there is likely to be an impact on British exports and the ability of British companies to bid for EU public service contracts. Therefore we need continued membership of The Agency and continued recognition of EU standards by the UK Government.

A transition to a new system should take place over the long-term in close consultation with the industry and its supply chain.

Aviation

While aviation is a worldwide industry, governed by the rules of the International Civil Aviation Organisation (ICAO), being part of the EU has brought significant benefits for both UK consumers and the aviation industry, and we believe UK participation similarly benefits EU consumers and the economy as a whole. UK passengers, and the aviation and aerospace industrial sectors in the UK, have benefitted significantly from the largely EU led liberalisation of aviation over the last 30 years through improved connectivity, choice and competition, something the UK has been keen to champion.

The UK has the second largest aerospace industry and third largest aviation network in the world. Brexit therefore presents significant challenges for the sector. UKTiE believes it is critical for the UK aviation and aerospace sectors to continue to play a significant role in global and EU aviation, as this is ultimately what benefits consumers throughout Europe and the world.

The UK has usually found itself aligned with the European Commission in promoting a liberal,

market-based aviation sector with high technical standards, making efficient use of available capacity. The UK has supported in principle the major planks of EU aviation policy over the last twenty years – the creation of the European Aviation Safety Agency's (EASA), ensuring the safety of foreign aircraft visiting the EU, the drive towards a Single European Sky, the promotion of passenger rights, and measures to protect the environment.

In particular the UK has made a significant contribution to improvements in European aviation safety and security, often leading on (EASA) projects. The UK aviation industry is currently fully engaged in the EASA system, and is extremely active in EASA rulemaking activities, undertaking activities on behalf of EASA, and working in close cooperation with the Agency to further European-wide safety objectives.

UKTiE believes remaining a key member of EASA will help support high and consistent safety standards for the many passengers travelling in and across Europe. It will also reduce the regulatory burden for all European airlines, manufacturers and for general aviation pilots wishing to cross borders by avoiding the need to create a parallel regulatory regime.

Safeguarding EU and international market access for the UK aviation sector is also of crucial importance to the EU. We would like to see transport prioritised, including aviation issues, in the Brexit negotiations in recognition of the crucial role that aviation plays for the UK and the EU and its many consumers.

The UK's access to the internal aviation market covering the EU, the EEA and Switzerland derives from our membership of the EU. Much of the UK's market access beyond the EU is also dependent upon membership of the EU.

The EU is the single biggest destination market from the UK – accounting for 49% of passengers and 54% of scheduled commercial flights. Taking into account those countries that have access to the Single Aviation Market as members of the European Common Aviation Area (ECAA), which includes Iceland, Norway and a number of Balkan countries, the importance of market access becomes even more significant.

Market access considerations go beyond UK-EU routes. Since 2002, EU member states have been required to apply the provisions of the Single Market to bilateral air service agreements with third states.

At the same time, the EU has also negotiated comprehensive agreements with third countries as a single trading bloc. The most high-profile of these is the EU-US Open Skies agreement which came into force in 2008.

Depending on the terms of exit, these agreements would potentially cease to apply to the UK, possibly requiring the UK to negotiate a whole raft of separate bilateral agreements. We would hope that agreements or understandings on reciprocity could be reached to maintain existing agreements, pending negotiation of a new bilateral agreement with the US and other third-countries.

Maintaining reciprocal market access is a high priority for UKTiE.

Cross-border issues & customs

Britain's plans to leave the Single Market and the Customs Union in some form triggers a series of concerns for UK ports, none more so than Dover. But the impact of not reaching a robust agreement on customs before Britain departs from the EU will have adverse effects far beyond the UK; in Ireland, Belgium, Poland and many other EU Member States, and in particular is likely to cause considerable congestion and disruption to the supply chain throughout the EU.

Due to the nature, volume and speed of the trade passing across the Dover Straits and the physical constraints of the port estate, issues around a new set of customs clearance and border control procedures are acute.

In 2016, almost 2.6m freight units and over 12m passengers transited the port of Dover. Freight units grew by one third in the past four years and strong growth is projected in the next decade. As such, the Port of Dover is vital to the economic well-being of Britain, Ireland, France, Belgium, Poland and many other European nations. This is reflected in the Port's economic value – up to £119bn or 17% of the UK's trade in goods. Maintaining fluidity at the Dover Straits to protect and promote UK-European land-based trade flows must be one of the key imperatives during the Brexit negotiations.

UKTiE's aim is to achieve as "frictionless as possible" border. For Dover that means maintaining the rapid transit of goods through the crossings and the wider freight corridor post-Brexit.

The current risk based customs and border control approach must be updated and the use of I.T. must be fast tracked. Advance information requirements and virtual borders must be

prioritised. If a new set of customs interventions work at Dover, they'll work for the UK as a whole.

One in four containers that arrive in British ports make their onward journey by rail. Rail freight generally will suffer the same serious problems as road freight between EU member states and the UK -delays, customs problems, tariff barriers, particularly given the risk that the UK Government may not be able to develop and operate an IT system working to the necessary specification in time. Additional infrastructure may be required to manage freight trains in depots for longer periods or to store goods. On a network that is one of the most intensively used in Europe, delays could have a significant impact on domestic freight and passenger services.

The Channel Tunnel is also a vital transport link between the UK and the European continent. Following withdrawal, there could be additional administrative and regulatory checks to be completed to allow travel on infrastructure on the other side of the channel. To enable smooth travel through the Channel Tunnel, trains need to conform to technical standards which are mutually recognised by both the UK and the EU. Train drivers also need their driving licences to be mutually recognised by both the UK and the EU. In practice this means either special rolling stock manufactured to new UK and EU standards, if this is possible, or continuing to conform to The Agency standards. The former will add greatly to costs and reduce flexibility of operations (see section on rail above). If train drivers are not licenced to travel in the EU (or vice-versa), or if technical standards are not mutually recognised, operators would have to consult with multiple authorities to travel through the Channel Tunnel into the destination country.

10 million passengers and 22 million tonnes of freight goods use the Channel Tunnel every year. Without a proper arrangement, both passengers and trains may face severe hurdles. If the UK withdraws from the EU without any transitional arrangement, traffic through the Channel Tunnel could be negatively impacted.

We need smooth train transport between Britain and France via the Channel Tunnel and from ports onto freight trains. Passenger train operators and freight train operators need to access rail infrastructure without undue cost, delay or operational boundaries, as they travel across the Channel.

A potential solution is that the UK Government and EU 27 agree full mutual recognition of licences and train driver licences on the route used by Eurostar and freight services passing through the Channel Tunnel. This should also form part of a transitional transport agreement.

If the issues identified above are not adequately addressed, future problems could include loss of traffic and business to rail freight across Europe, since the consequence of such delays will be that manufacturers, who now source parts, and sub parts, from several member states including the UK, will source from within the EU because of the transport delays and added bureaucracy. The days of manufacturing a train, especially a passenger train, in one country are long since gone; some freight wagons and locomotives are bought and sold as complete units, but even then there will generally be parts imported from elsewhere. The same comment applies of course to other manufacturing sectors.

Rail freight has advantages in that remote checking is possible and already done for security purpose at terminals in the UK and continental Europe which are approved for this. So freight trains should not have to stop at the Channel Tunnel 'frontiers' at all except for technical reasons. Remote checking of all documentation and contents so that freight trains can run straight through without stopping is essential. This is of course a benefit for the avoidance of people trying to smuggle themselves onto freight trains. Given the sensitivities around rail freight policy in the Member States these issues will need to be addressed as a matter of priority in order to protect the integrity of the Single Market as far as possible.

The Irish Question

Among the three principle areas identified by the EU to be considered with the goal of achieving substantive progress ahead of post Brexit trade talks is how to deliver a solution that produces no, or least harm, to the people of the island of Ireland. In particular we welcome the commitment in the EU's negotiating Directives to ensuring '*Existing bilateral agreements and arrangements between Ireland and the United Kingdom, such as the Common Travel Area, which are in conformity with EU law, should be recognised*' and that the '*The Agreement should also address issues arising from Ireland's unique geographic situation, including transit of goods (to and from Ireland via the United Kingdom).*'

Based on the UK Government's current position, the UK will leave both the Single Market and the Customs Union, albeit following a mutually agreed transition period with its own operating conditions.

In developing a solution it is important to take into account that the proportion of Northern Ireland trade with the rest of the UK is estimated in tonnage terms to be above 70%, and may well be higher in value terms, highlighting the vital importance of membership of the "UK single market" for Northern Ireland. Indeed sales from Northern Ireland companies to the UK

"mainland" in 2015 were £13.8bn compared to sales to the RoI of £3.4bn, about a four to one ratio in favour of the "UK single market" over the "all island economy".

Similarly Northern Ireland companies 'Food and Drinks Processing' sales to the U.K. "mainland" in 2014 were £2.0Bn compared to sales to the RoI of £0.7bn, about a three to one ratio. These statistics underscore the vital importance of membership of the "UK single market" for Northern Ireland. And it is also important to note that a significant proportion of non UK "mainland"-Northern Ireland trade is handled under WTO rules.

Therefore, in terms of economic impact the overriding priority is for Northern Ireland to retain completely free access to this "UK single market", as this is the predominant source of trade, which includes supplies to retail markets, energy and other goods. Hence the introduction of any internal controls within the UK such as trade border at the Irish Sea would be very damaging to the economy of Northern Ireland and is not supported by UKTiE.

Free movement of goods across the UK/ RoI border is also a material concern, and managing arrangements in Ireland are consequently currently of significance.

A number of ideas have been postulated and might be considered in terms of where the customs border is and how it might operate and be mitigated.

Border Geography

In terms of where the customs border might be, the following are the alternatives:

- i. Operate the land border between Northern Ireland and the RoI as the customs border
- ii. Give Northern Ireland 'Special Status' and move the customs border to the Irish Sea
- iii. Give the RoI 'Special Status' and treat the British Isles as a customs union whilst RoI remains a full member of the EU including the Customs Union and UK is outside (albeit with possibly specially negotiated customs arrangements)

Option i) is currently favoured by the UK Government and has its merits given current trade flows, but its success depends on a 'low friction' solution and carries political considerations, especially in relation to the Northern Ireland Peace Process. Economic impacts for Ireland and all the UK can only be determined when an EU-UK trade and customs deal (if any) is finally agreed.

Option ii) has difficulties given how embedded Northern Ireland is in the UK 'single market' (see above) and has the political impact of psychologically severing Northern Ireland from

the other UK nations and may in its own way be damaging to the Northern Ireland Peace Process. The trade flows discussed above would suggest deeper negative economic impact on Northern Ireland than option i).

Option iii) is currently theoretical and not being publicly considered. It would see the RoI remain as a full member of the EU and part of the single market and customs union whilst extending the retained Common Travel Area for people (already made easier by the fact that neither the UK or Ireland are 'Schengen' countries) to goods and services within the British Isles. This approach would require safeguards for the EU to ensure that Ireland does not become a backdoor for UK exports to the EU. However, the EU currently operates extensive rules of origins protocols for third country goods and such could be deployed for trusted authorised economic partner (AEO) companies as part of the arrangement. RoI makes significant use of the UK as a 'landbridge' to Europe and this could be maintained in the arrangement using AEO's and the existing TIR protocols which allow transit through countries without customs tariffs being triggered.

Of course, RoI would need dispensation from the EU regarding the operation of treaties, but there appears to be precedent for such an approach.

Given the absence of public debate on this option it is difficult to judge how it would be assessed politically by all parties. It does, perhaps, merit consideration given that it may be a better solution to the 'Irish Question' than options i) or ii).

As stated above, given the assumption that the UK leaves both the Single Market and Customs Union, a border will operate somewhere.

Many of the issues are rehearsed in the UK Government's two papers 'Future Customs Arrangements' published 15th August 2017, and 'Northern Ireland and Ireland, published on 16th August 2017, which detail the Government's views on 'streamlining customs' and 'address the unique circumstances of Northern Ireland and Ireland'

The approach taken is worthy of debate and it is for the negotiating parties to decide when.

As noted above, a low friction approach is to be welcomed unless the trade and customs negotiations (when they start) result in a solution effectively negating the need for a border.

UKTiE are supportive of the overall agenda set by the 'Future Customs Arrangements' and 'Northern Ireland and Ireland' papers and notes that whilst developed in support of option i) above it also has resonance for options ii) and iii).

4. We will work constructively with the UK Government, EU institutions, national capitals and our partners in the Member States.

We wish to work constructively with the UK Government, EU institutions, national capitals, and our partners in the Member States, all of whom will be disadvantaged if transport is not adequately considered in a timely and satisfactory manner in the negotiations. We remain at the disposal of TF50 to inform your deliberations.

5. We support transitional arrangements

We recognise there is a risk of a 'cliff edge' for our industries, and indeed the entire logistics supply chain, if transport is not considered as a key part of the Article 50 negotiations, or if the details of a future relationship in respect to transport are not agreed by the time the UK exits the EU. Consequently we support transitional arrangements whereby existing market access provisions and regulatory reciprocity continues to apply for a fixed period after Brexit, allowing extra time for the long-term transport agreement to be agreed, providing businesses with continuity and certainty, protecting jobs and trade flows, and the necessary period to adapt to the new UK-EU deal.

6. We will promote the fullest possible exchange of information and know-how

We have always supported evidence-led rule and policy making and believe that this principle should underpin the Brexit negotiations. We will promote the fullest possible exchange of information and know-how in order to ensure an informed debate and a considered agreement. Our members represent many of Britain's leading transport companies and organisations and have unique first-hand expertise and experience of EU and UK regulatory affairs and transport policy. We believe this will be an important resource for TF50 as the Brexit negotiations proceed.

Finally, we hope that these core Brexit objectives for transport and our offer of on-going support in terms of sharing information, best-practice and solutions will help you address the challenges ahead.



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