

UK Transport in Europe: Brexit Position Paper

The transport industry is a fundamental part of the UK and European economy and serves as the UK's gateway to Europe and vice versa. As the UK leaves the European Union, there are few sectors with more at stake than transport and the risks are profound.

In this paper, UKTiE highlights its four priority areas:

- 1. Access to a skilled workforce to backfill shortages;*
- 2. Smooth customs processes, including the Irish border, for trade and travel;*
- 3. Membership of EU Agencies to support standardisation facilitate cross-border air travel; and*
- 4. The requirement for a transition period to allow businesses the time to prepare for changes.*

Although there are pragmatic solutions to these risks, the severity of their potential impact requires the foremost attention of the UK Government and its European partners. Transport must be a key priority during the Brexit negotiations and this status should be reflected in a UK Government position paper.

About transport in the UK

Transport plays a vital role in the UK economy: strong transport links are integral to businesses, people and trade, underpinning a broad spectrum of other sectors. The UK's membership of the European Union (EU) has shaped the transport sector, having facilitated the development of highly-integrated supply chains, passenger flows and businesses across borders. The EU has played a key role in facilitating cross-border transport across the road, rail, maritime and aviation sectors and UK transport has much at stake as the UK leaves the EU.

In terms of scale, the UK has the most extensive 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, and nearly half of all flights in UK airspace are by overseas registered airlines.

In addition to these air passengers, British rail operators carry 4.5 million people around the country every day and an additional 10 million through the Channel Tunnel each year. This activity and the rail supply chain contribute up to £10.1bn in gross value added (GVA) to the UK economy every year and enhances domestic productivity by an estimated £11.3bn by reducing road congestion and enabling companies to locate closer to each other.

Whilst 22 million tonnes of freight are transported through the Channel Tunnel each year, UK ports handle the second largest volumes of seaborne freight in Europe, handling more than 500 million tonnes of freight annually, as well as over 60 million international and domestic passenger journeys. The volume of seaborne goods handled in UK ports represented 12.9% of the EU-28 total in 2015.

International road freight also plays a key role in trade. It imported 4 million tonnes of freight and exported 3.7 million in 2016. Long-term trends show that the total number of road goods vehicles travelling from Great Britain (GB) to mainland Europe has been increasing, with the figure in the year ending June 2017 being 73% higher than the figure 20 years earlier.

Britain's transport system is highly integrated into the European Single Market and depends on it to drive economic growth. The European Single Market has brought about reciprocal market access, harmonised technical standards and resulted in access to top talent for transport in the UK and EU alike. On Brexit, the transport industry holds one common theme: it is crucial to maintain current arrangements under the terms of a transition deal until the point at which alternative arrangements have been decided in close consultation with industry.

UKTiE believes that there are pragmatic solutions to the challenges of leaving the EU and we outline these below along with our key principles.

Principle 1: Access to a skilled workforce for the UK economy

The transport sector is reliant on EU workers where the industry faces skills shortages particularly with an aging workforce. EU workers have helped fill roles such as drivers, engineers and transport managers.

EU workers currently account for 13% of HGV drivers and 26% of warehouse operatives employed in the UK's freight and logistics industry, itself a net £121 billion GVA contributor to the national economy. With 2.54 million people currently working in the UK's logistics sector nationwide, restricting access to this workforce for UK businesses could have a disastrous effect on the economy.

The rail sector- including its supply chain- employs over 240,000, nearly 20% are non-UK EU nationals. They are employed in a range of roles from highly-skilled engineers, to frontline operational staff.

As this context shows, the potential effect of changing migration laws for EU27 citizens in the labour market is a key issue for transport. The transport industry relies very heavily on EU27 citizens to top up labour shortages and plug skills gaps. The supply chain, infrastructure construction, warehousing and vehicle driving in particular would be badly affected. This is already demonstrated by the percentage of companies reporting difficulties, for example, in hiring goods vehicle drivers; this is as high as 60%.

Restrictions on EU27 labour will reduce access to highly-skilled talent from the EU27, most notably in the Science, Technology, Engineering and Mathematics (STEM) careers, which are hugely important contributors to the transport sector. The transport sector welcomes recent efforts from the Government to address severe skills shortages in the UK labour market. This has been done through the creation of the High-Speed Rail College and the introduction of T-levels. However, this will take many years to work through, and restrictions on EU27 workers could compromise infrastructure and railway programmes in the future.

Recent statistics have shown a rise in skilled EU citizens leaving Britain since the outcome of the referendum, exacerbating already significant skills shortages. Our workforce is at the very core of everything we do. 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, with uncertainty around migration laws and 'right to remain status'.

Case Study: Citizens, Brexit and Roads

Road haulage and international driving permits

Currently 44% of all UK exports go to EU countries and nearly 50% of all road haulage in the UK is carried out by non-British drivers, the majority of those from EU27 countries. The current practice of 'cabotage' whereby goods haulage in one Member State is carried out by a vehicle registered in a different Member State could be an immediate casualty of Brexit. British hauliers currently rely on about 60,000 EU drivers to keep their fleets on the road. The potential loss of these foreign drivers through stricter migration laws, more complex trade agreements and the decline of EU migrant drivers leaving because of unfavourable exchange rates caused by Brexit uncertainty means that the shortage of drivers is growing at the rate of 50 people a day, with a further 20,000 expected to leave by the end of the year.

Legislation on driver licensing and testing derives from EU law. A 'cliff edge' Brexit could mean the loss of mutual recognition of driving licences, vehicle registration documents and certificates of professional competence for UK motorists. This would mean all UK citizens driving in the EU post Brexit would be required to apply for an International Driving Permit to allow them to drive abroad.

The biggest long-term challenge for the UK road freight industry is the disproportionately small number of travel permits potentially available for British truck drivers if there is no other solution found through an EU trade deal. Under existing international treaties there are between 103 and 1,224 permits a year available to deal with more than 300,000 journeys by 75,000 British trucks. Access to markets is critical for the efficient operation of the road haulage sector, which in turn is critical for those companies whose goods are being transported.

If such rules were introduced (it would be assumed that any such rules would be mutual) it would impact greatly on the costs of services provided and also create impediments for the smooth and effective movement of goods. The creation of a single European transport area to allow hauliers to move freely without the requirement for a permit would prevent the huge economic impacts that a stunted haulage industry would have.

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.

As an industry that deeply values the contribution of EU workers we ask the UK government will work together with EU bodies to adopt a migration system that minimises costs and bureaucracy for employers and allows them to fill skills gaps or transfer employees across borders when needed. This is particularly significant in areas such as the railway supply industry that operates at a pan-European level with staff readily moving between EU countries and production plants.

A Transition Agreement- or implementation period- 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 UK citizens working elsewhere in the EU. This is vital to protect the success of the transport industry, who without time to source and fund the training of skilled workers could face a significantly reduced workforce. This would provide certainty for citizens and businesses across the UK and Europe, ensuring they would not experience skills and staff shortages and allowing UK citizens to continue develop their careers abroad.

Principle 2: Smooth customs processes

International transport flows between the UK and EU have been shaped by shared participation in the EU Customs Union. This has allowed for goods to cross UK-EU borders with minimal disruption, little paperwork and has resulted in streamlined infrastructure to facilitate the smooth flow of traffic. Under current arrangements, goods originating from the EU do not have to provide customs processing information to UK customs and vice versa. This is set to change as the UK leaves the EU Customs Union and there are a number of concerns that must be addressed for transport.

The EU is a key destination for British manufacturing and vice versa – 78% of UK exporting companies sell into the EU and transport plays a fundamental role in supporting this trade. If new customs processes adversely affected operational efficiencies, there would be negative repercussions not only for the transport industry but the wider UK and European economies, as trade in goods would be slowed down or reduced.

Delays attributable to customs procedures would cause congestion to the wider transport network: delays at ports or in the rail network quickly accumulate and cause knock-on effects to the rest of the network. Delays would also disrupt intricate 'just-in-time' supply chains rely on the fast transit of goods to run complex and efficient manufacturing processes, this could harm the competitiveness of UK manufacturing processes, reduce EU-UK trade and result in businesses unable to fulfil contracts as they exist today. The intermodal nature of supply chains and the UK transport network means that no delay can be taken in isolation and any delays would be replicated over and over again across all modes – this must be avoided.

The new customs arrangement must maintain the rapid transit of goods through border crossings and the wider freight corridor post-Brexit. A new customs frontier between the UK and EU must be designed to avoid unnecessary checks, delays and bureaucracy for the transport sector. In addition, the current risk-based customs and border control approach must be updated to reflect significantly increased volumes and the use of IT must be fast-tracked. Advance information requirements must be and the creation of 'virtual borders' must be prioritised.

Case study: The Port of Dover

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.

Almost 2.6m freight units and over 12m passengers transited through the port of Dover in 2016 and strong growth is projected in the next decade. Over 99% of the Port of Dover's trade is with the EU and customs declarations would increase over a hundredfold if the same levels of trade are maintained.

In a 'no deal' scenario, the port would not be able to cope with the scale of customs checks that would be required. If customs processing on traffic from the EU lasted just two minutes per lorry, 17-mile queues would clog up the roads from Dover and cause knock on effects to the whole transport network in the South East. An agreement allowing for streamlined and electronic customs declarations in advance of transit is essential, if a customs frontier is to exist between the UK and EU.

Dover's success relies on the other side of the Channel too. Even if the UK border is prepared for Brexit, delays in European ports such as Calais and Rotterdam could cause significant disruption in the UK.

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.

The status of the Irish border between the Republic of Ireland (ROI) and Northern Ireland has been a central part of the phase one negotiations and few sectors have more at stake than transport. EU membership and a shared customs union have helped lay the foundations for strong transport links across the border.

Transport is integral to connecting Northern Ireland both to the UK Single Market and the all-island market with ROI. Both Northern Ireland and ROI rely on significant cross-border road traffic flows: 177,000 HGVs and 208,000 light commercial vehicles cross the border each month, using some 200 roads. Over 37% of Northern Ireland's total exports go to the ROI, equivalent to £3.4bn per annum. The introduction of customs measures must not harden the border between ROI and Northern Ireland, nor Northern Ireland and the rest of the UK.

UKTiE supports the UK Government's aims of achieving streamlined customs processes as set out in the 'Future Customs Arrangements' in 15 August 2017 but would welcome further detail on the obligations and consequences of new customs arrangements for the transport sector.

Principle 3: Membership of EU agencies

Throughout its EU membership, the UK has been heavily involved in the development of EU Agencies across numerous sectors and transport is no exception. With the goal of harmonising cross-border transport and facilitating better international transport links, the EU has developed three agencies with competences in rail safety and regulation, aviation safety and maritime safety. The European Union Agency for Railways (The Agency), European Aviation Safety Agency (EASA) and the European Maritime Safety Agency (EMSA) have all been shaped by UK participation and the UK has benefitted from opportunities that their work has helped to provide. Maintaining membership of these agencies is key priority for the success of the transport sector after Brexit.

EASA was established in 2002 to harmonise safety, airworthiness and certification regimes across EU member states. The UK has played a significant role in supporting EASA in creating policies to enable passengers and air freight to be moved across Europe as smoothly and freely as possible. The UK has supported the drive towards a Single European Sky with EASA which unifies European air traffic management and has resulted in vast efficiency gains in European air travel. There is a risk that the UK may lose this benefit of membership of EASA as well as other projects which it has developed in tandem with EASA, resulting in the UK being significantly worse off in terms of connectivity, choice, price, and safety.

Case Study: UK Aviation without membership of EASA

On day one of the UK outside the EU, without alternative arrangements, UK operators would lose 'Community air carrier' status offered via EASA and therefore intra-EU traffic rights would cease. This would leave thousands of passengers stranded, freight unable to move and consequently harm the UK aviation industry and economy.

The UK features in five of the top 10 intra-EU country pairs for volume of passengers carried and has seen 11.4% growth in intra-EU traffic between 2015 and 2016. If air travel was severely disrupted in and out of the UK this would affect the 153.8 million annual intra-EU passengers to and from the UK.

Intra-EU air freight- which has grown 8.1% between 2015 and 2016- would also be affected. London Heathrow, East Midlands and London Stanstead routes would be the most seriously impacted as they handle the most intra-EU air freight in the UK.

The EU Agency for Railways works in a similar fashion to EASA, helping to integrate European railway systems by making trains safer and able to cross national borders without stopping. Since 2006, the ERA has:

- worked to develop economically viable common technical standards and safety measures and targets in cooperation with the rail sector, national authorities, EU institutions and other bodies;
- reported on rail safety in the EU; and

- led efforts to create uniform signalling standards throughout Europe.

If the UK loses their Agency membership in a no-deal Brexit, there could be difficulties in issuing safety certificates for cross-border services, interrupting or delaying their operation. The UK would also no longer be able to contribute to influencing standards such as Technical Specifications for Interoperability (TSIs) which it will still largely implement post-Brexit in order to benefit from supply chain economies of scale.

Finally, EMSA provides technical assistance and support to the European Commission and Member States in the development and implementation of EU legislation on maritime safety, pollution by ships and maritime security. It has also been given operational tasks in the field of oil pollution response, vessel monitoring and in long range identification and tracking of vessels. Maintaining membership of EMSA ensures that the UK can contribute to sharing best practice- increasing maritime safety- and influencing environmental policy.

UKTiE seeks to maintain the existing UK membership of EASA, EMSA and ERA both during and after a Brexit transition period or until equivalent alternative arrangements can be put in place. Without membership the UK is at risk of reducing connectivity, safety and consumer choice.

Principle 4: A clear transition agreement

UKTiE recognises there is a risk of a 'cliff edge' for our industries if transport is not considered a key part of the Article 50 negotiations, or if the details of a future relationship for transport are not agreed by the time the UK exits the EU. At the time of writing, there is less than a year left between now and the UK's departure from the EU on 29 March 2019. This results in little time for transport to make the significant adjustments to adapt to a post-Brexit framework and systems.

Consequently, we support transitional arrangements whereby existing market access provisions and regulatory reciprocity continues to apply for a fixed period after Brexit. This allows for 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.

Case study: A cliff-edge for the rail sector

If the UK were to adopt a 'hard Brexit' or 'no deal' with the EU, an immediate exit from the Single European Transport Area could have profound consequences for the UK and EU.

For the rail sector, this would spell a withdrawal from the EU Agency for Railway and the end of mutual recognition of safety certificates, driver licences and vehicle authorisations. This would mean immediate difficulties in particular for international operations.

British operators currently run more than eight 'franchises' in EU countries. Diminished market access could mean there is uncertainty over these contracts without additional legal

and organisational steps taken. This is not including the risk that UK-based rail operators could find themselves excluded from winning further rail operating contracts in the EU.

The introduction of customs declarations and checks would require for goods on board international freight trains to be stopped and approved by customs authorities on both sides of the Channel. Current infrastructure is not sufficiently prepared and would be overwhelmed on day one.

With pragmatic arrangements put in place, these three issues are surmountable, but the key ingredient is a transition deal, allowing the rail industry to put new systems and infrastructure in place in preparation for a new deal with the EU.

UK transport stands ready to work towards a new system for the post-Brexit future partnership with the EU, but businesses need sufficient time to prepare and implement new processes – this would not be assured on the current Brexit date. For customs, where the implementation of new IT systems could be crucial, it is essential that businesses have the necessary time to adapt to new systems. This time is crucial not only for the UK but for European partners as well, if the system is to operate smoothly upon its introduction. With an agreement on Brexit only months away, a transition period must guarantee no change to the functioning of the Single European Transport Area. During the transition period, there must also be a clear end-state for which businesses and transport have sufficient time to prepare.

Conclusion

Although there are serious risks outlined in this paper, UKTiE believes that there are practical solutions ahead if the UK Government makes transport a priority alongside its European partners. This is reflected in our goals of continued access to European talent, smooth customs processes, continued membership of EU transport agencies and a suitable transition agreement with the EU.

With Brexit set to end the current system of migration for EU and UK citizens, the industry needs to retain the ability to access a skilled workforce, in particular in areas where there are currently skills shortages. UKTiE believes that its workforce is at the core of everything we do and that EU27 citizens' rights should be safeguarded.

The introduction of a customs frontier between the UK and the EU must not adversely affect international goods transport, whether by rail freight, air freight, via ports or by road haulage. Customs processes must be implemented with minimal friction for transport: the use advanced IT systems and the creation of 'virtual borders' must be a priority.

Retention of EU agency membership is another key component to ensuring that day-to-day operations are not adversely affected. Without agency membership, the UK transport industry could see itself excluded from EU markets, outside EU-wide supply chains and the regulatory burden for international transport increased.

As an industry we are acutely aware of the challenges a no-deal 'cliff edge' Brexit would bring and we would like to work together with the Department and the relevant EU bodies to find suitable outcomes and secure transitional arrangements.

The impact of the UK's departure from the EU affects transport like no other sector. The breadth of its impact, as outlined in this paper, has potentially profound consequences. These consequences would be felt by UK and European citizens, businesses and the wider economy. It is imperative to build a lasting relationship with European partners with transport at the very centre of future agreements.

UKTiE strongly encourages the Department to continue playing a major role in creating a brighter future for all UK and European citizens by maintaining the strong relationship with our European partners in transport. We would welcome the creation of a dialogue with the EU and the UK government on the shape of a future transport agreement, reflecting our joint interest in promoting continued close cooperation, for the benefit of UK and European prosperity.

UK Transport in Europe is supported by:

