

IMPACT OF BREXIT ON THE TRANSPORT SECTOR IN SCOTLAND

Scope of analysis

1. We have focussed the request on the following areas:-
 - i. The impacts, if any, of changes in customs arrangements or market access on Scottish transport system.
 - ii. The Impact of leaving EU on Scottish transport workforce (and related industries such as warehousing etc)
 - iii. Secondary/indirect impacts on transport stemming from the economic impacts of leaving EU.

Summary

2. Any assessment of the impact of Brexit is clouded by uncertainty about kind of relationship a 'post Brexit' UK (and therefore Scotland) have with the EU. This uncertainty extend to what form of trade arrangements will be agreed (if any) and how the economy will react to the change in circumstances. Added to this, unpicking the impact that being part of the EU has on the economy at present and how this differs by/within sectors is complex. This section attempts to summarise what we have uncovered in relation to the 3 questions.
3. Customs delays/Market Access:-
 - Only 0.2% of freight in Scotland (by volume) has a destination or departure outside of UK
 - It is estimated that Scotland accounts for <0.5% of lorries crossing at Dover (the main channel port)
 - But 50-75% of lorry traffic leaving Forth ports is with EU
 - UK data shows that the value of freight traded with EU (£382 million) is similar to that traded with rest of world (£393 million)
 - Post-Brexit 180,000 traders in UK will potentially have to make customs declarations
 - Air travel → 11.2 million passengers travel between EU28 and Scotland's main international airports
 - Air freight → Scotland accounts for only 50,000 tonnes, compared to UK total of 2.3 million tonnes
 - Perhaps, (at least) 11% of (UK) air freight is perishable and therefore sensitive to any additional travel time due to customs delays
4. Workforce:-
 - Estimated that 3.4% of Transport and Communications workers are from EU (c.7,000 people)
 - At the sectoral level it is possible that the scale of EU workers is 1,500-3,100 for Trunk Roads, 600-1,300 for road freight, 600-1,300 for rail and 1,800 to 3,600 for maritime. This would give a rough figure of 4,500-9,000 (note – this excludes aviation)
5. Secondary/indirect Economic impacts:-
 - Road haulage → the number of kilometres travelled is strongly correlated to the GDP. This suggests that the negative impacts on GDP forecast in SPIE and by FAI would be likely to be reflected in reduced demand for haulage of a similar scale

- FAI report that the impact of Brexit on the Wholesale, Retail, Transportation and Storage sector would be in order of a loss of £500-900 million

6. This note takes account of the impact on the transport sector alone and does not assess the impact on the sector for which the goods are being transported. This should be addressed as part of their own respective sector analysis.

General points

7. There is a lack of detailed analysis on the impact of Brexit (for UK or Scotland) at the sectoral level, both on the generalised impacts and on the specific differences from each potential Negotiation Outcome. The Fraser of Allander Institute based figures for Scotland¹ at least attempt to put £s figures on the impact for the economy. They are based on CGE modelling, which means that the sectoral figures are quite broad. So, all of transport is subsumed in a category with wholesale, retail and storage. The recent publication of figures by both SG and UKG suggests that Brexit may have a negative impact on GDP of between 2.5% and 9%².
8. Unless there are more detailed figures available than the published reports show, this suggests that there is unlikely to be enough detail in them to answer the three questions for transport. However, it will be useful in setting the general direction – so loss of x% of GDP after 10 years, etc.

¹ <https://www.sbs.strath.ac.uk/economics/fraser/20161006/Long-term-Economic-Implications-of-Brexit.pdf>

² <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-42977080>

1. The impacts, if any, of changes in customs arrangements or changes to market access on Scottish transport system

Road Freight Haulage – Destinations and Volumes

Quantity of freight lifted or arriving in Scotland 2015

	Scotland-Scotland	Scotland – rUK	Scotland - non UK
Tonnage Lifted	136,700,000	17,000,000	234,000
		rUK-Scotland	Non UK - Scotland
Tonnage Lifted		20,400,000	108,000
As a percentage	78.4%	21.4%	0.2%

Source: Scottish Transport Statistics 2016

9. Thus, accounting for all of the freight that moved in both directions only 0.2% of the freight tonnage had a destination or a departure from outside the UK. Over three-quarters of the tonnage moved started and finished in Scotland.

10. We don't have detail on loads, but if the average freight weight of a lorry leaving/entering Scotland from outside the rest of the UK is 20 tonnes (an estimated figure using 44 tonne HGV and a load weight maximum of 30 tonnes) this suggests an average of 30-35 lorries a day from Scotland cross the Channel to Europe and 15 come back in the opposite direction.

11. The data available for the channel ports suggests that between the port of Dover and Eurotunnel there are around 10,000 HGV crossings a day. If this estimate is accurate then exports to and from Scotland account for less than 0.5% of total crossings.

12. Further, the data and comments suggest that approximately 85%~ of Roll on Roll off road freight to/from UK is undertaken by foreign registered HGVs.³ I have not been able to find equivalent figures for Scottish specific freight but it is unlikely to be very different in terms of the make-up. Otherwise there are some anecdotal comment that just because a lorry is foreign registered does not necessarily mean that the driver is a non-UK national. Some of the information obtained on Scottish fish exports to the EU suggest that while the lorries are foreign owned they do not always come with a company driver so there could be UK drivers of foreign freight registered trucks. [redacted]

13. Perishable goods (and their refrigerated trucks) make up an (as yet) unknown proportion of this channel traffic. Timings of journeys for the most perishable product (principally fresh sea and farmed fish) coupled with the limits on the working day of an HGV driver means that even a 2 hour delay en route can be too long for the goods to reach market and be sold at a premium price. The margins on some of these products are very thin and this is a monopsony purchaser of most of the Scottish (and UK) fish in Northern France.

14. Generally the time taken to transport goods from the central belt to the Dover ports is with a couple of hours of the legal limit of a day for an HGV driver. Currently, the EU rules⁴ are on breaks and rest are as follows:

[redacted]

⁴ <https://www.gov.uk/drivers-hours/eu-rules>

- At least 11 hours rest every day - you can reduce this to 9 hours rest 3 times between any 2 weekly rest periods
- An unbroken rest period of 45 hours every week - you can reduce this to 24 hours every other week
- A break or breaks totalling at least 45 minutes after no more than 4 hours 30 minutes driving
- Your weekly rest after 6 consecutive 24-hour periods of working, starting from the end of the last weekly rest period taken

15. At 450 miles from the central belt it is estimated by studies that, once the necessary breaks are taken into account as well as the formal booking in and out process, this can take between 12-14 hours. This is without any traffic delays. This is not really a problem for non-perishable goods, but for perishable goods any delays can impact upon delivery times and produce freshness/quality/price.

Customs (Import and Export) Process

16. The range of activity at the border are numerous at the list below shows.

Figure 1: List of border operations - Functions Related activity

<p>Revenue collection</p> <ul style="list-style-type: none"> • Collection of customs dues, excise dues and other indirect taxes • Payment of dues and fees • Management of bonds and other financial securities
<p>Safety and security</p> <ul style="list-style-type: none"> • Security and smuggling controls • Dangerous goods • Vehicle checks • Immigration and visa formalities • Export licences
<p>Environment and health</p> <ul style="list-style-type: none"> • Phytosanitary, veterinary and hygiene controls • Health and safety measures • Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)controls • Ships' waste
<p>Trade policy</p> <ul style="list-style-type: none"> • Administration of quota restrictions • Agriculture refunds • Trade defence • Customs agreements
<p>Consumer protection</p> <ul style="list-style-type: none"> • Product testing • Labelling • Conformity checks with marketing standards (for example, fruit and vegetables)

17. As the focus of this paper is on the transport and trade implications the other, albeit important, functions are have not been considered here. Similarly the implications for passenger traffic at ports is not considered here as well as holiday traffic which could include business trips in relation to these goods as well as the service sector.

18. Underpinning the EU's approach to trade is a common 'customs code' (UCC). The UCC is the framework regulation through which customs co-operation between EU member states is achieved. It defines the process and formalities – import–export procedures, data requirements and common risk criteria – that must take place when goods move between EU member states and third countries. UK trade has adapted to the Single Market and Customs Union.

19. During its membership of the EU the UK has adapted to the EU's customs arrangements. The Institute for Government's recent paper, *Frictionless Trade? What Brexit means for cross-border trade in goods*, shows the extent to which the Single Market and EU Customs Union have resulted in highly integrated supply chains across Europe. Manufacturers rely on seamless and rapid movement of goods to complete orders and sustain production. For industries such as the automotive sector and chemicals, the UK is one part of an integrated European supply chain, importing and exporting intermediate goods, semi-finished goods and final parts for assembly, frequently on 'a just in time' basis⁵. In those sectors where the UK is more closely integrated into a global value chain, the figure is significantly higher; 44% of the value of UK car exports comes from imported products. This integration in global supply chains reflects the fact that, in a globalised economy, individual countries specialise not just in particular industries, but also in particular parts of particular industries.

20. In 2016, £382 billion of goods were traded between the UK and the EU as either arrivals or dispatches with minimal or no customs. In contrast, £393 billion of UK goods were traded with the rest of the world as imports and exports and were subject to customs checks and controls.

21. Dover is the key artery for UK trade heading to continental Europe as Table 2 below shows. Since the Single Market was created in 1993, it has seen an increase of 150% in the number of lorries using its routes, with over 2.5 million heavy goods vehicles (HGVs) now passing through the port every year. Goods worth £119 billion passed through the port in 2015, representing around 17% of the UK's entire trade in goods by value. To facilitate this growth, the port has added new berths, bigger boats and more frequent services, but the area where traffic is processed has remained the same, with no additional capacity for customs checks. Between them, Dover and the Channel Tunnel account for just over 80% of all the lorries leaving the UK. Almost no lorries leave for Europe direct from Scotland in 2015.

2015 Lorry Traffic and EU Share of trade for selected major UK ports

Port	No of Lorries	Estimated trade share with EU	Port	No of Lorries	Estimated trade share with EU
Dover	2,564,994	75%-100%	Hull	60,264	75%-100%
Channel Tunnel	1,641,638	75%-100%	Milford Haven	33,307	0%-25%
Holyhead	286,003	75%-100%	London	17,783	50%-75%
Harwich	180,163	75%-100%	Felixstowe	8,311	0%-25%

⁵ The 'just in time model' relies on minimal stock (thus minimising warehousing costs at production sites and facilities) and very small delivery time windows to maintain the production process.

Belfast	153,730	0%-25%	Tees & Hartlepool	4,369	25%-50%
Liverpool	125,729	25%-50%	Forth	414	50%-75%
Grimsby & Immingham	87,287	50%-75%	Southampton	No lorries	0%-25%

22. As part of the Single Market less than 1% of lorries arriving in the UK through Dover or the Channel Tunnel require customs checks. There is no mention of goods going in the opposite direction but it is probably a similar percentage. The current pre-clearance system (mostly on-line) minimises the amount of time and thus costs imposed by the customs clearance system.

23. After Brexit, the default position on how many shipments to and from the EU are checked and in what categories of goods is an important one, but it is likely that even without a physical border the percentage of trucks checked is likely to increase in some categories. This will add time and therefore costs to those shipments into and out of the EU.

24. There could be longer customs queues (with a greater percentage checked) for goods in particular categories. With limited facilities at either terminal at Folkestone or Dover, that clearance checking is currently undertaken six miles away – at a truck stop off the M20. According to the IFG study this location has just 82 parking spaces⁶.

25. To give some perspective on possible third country rules and outcomes, the rules on agri-food currently applied in the UK mean that between 20% and 50% of shipments of beef and lamb imported from outside the EU must be checked by a food health agency at the border. However, the UK is also a party to agreements such as the one between the EU and New Zealand, which exempts most checks. The EU–NZ deal only requires 2% of lamb shipments to be sampled at random. So again there could be a range of possible outcomes dependent upon the degree of alignment with the EU after Brexit.

The supply chain integration

26. After exit from the EU, there will be 180,000 UK traders, from individuals and microbusinesses to large organisations across different industries, who will need to make customs declarations for the first time. A large number of businesses are likely to already be exporting to third countries (with the UK a member of the EU) so the change for these companies is likely to be limited, albeit all of the EU exports will require some level of additional paperwork once the UK leaves the EU.

27. For other businesses who only currently export to the EU and not to current third countries there will be a requirement for a whole new process. Preparing these organisations to use a process they are unaccustomed to will be a significant one-off task. They will need to navigate new technology and provide detailed information, as well as potentially requiring new certification from a range of public bodies. All of this will add to their business costs, not just the costs of exports. Most of the costs will arise up front and be one-off in nature but there are likely to be ongoing costs per shipment.

28. Every UK trader looking to export to the EU *could* end up needing to complete a Single Administrative Document (SAD) and an Entry Summary (ENS) or equivalent under the new system. The SAD consists of eight parts with 54 boxes which must be completed

⁶ Groupe Eurotunnel 'Parking facilities near the Eurotunnel terminals', www.eurotunnelfreight.com/uk/about/parking-facilities/ from Institute for Government Paper *Implementing Brexit: Customs*

and submitted for every declaration. Along with numerous other documents such as insurance certificates and specialist documents, this could represent a significant additional administrative burden to some businesses. Without clarity on what customs will look like after Brexit, businesses cannot plan the transition they need to make and it is unclear as to the extent that these will apply to the hauliers themselves as the transporters of these goods. As discussed earlier though the number of Scottish hauliers affected may be quite limited due to the lack of goods being exported to the EU.

29. That said, what is clear is that time costs of travel for each haulier will, on average, increase. Making traders aware of any new administrative burdens during transition will therefore be critical, guiding organisations through changes to ensure that they are ready and able to continue to export with the minimum of disruption. Once lost, export markets could be difficult to win back.

30. The knock on impact of this on business and the business chains goes wider than just exports as additional costs could lead to lower output and thus demand for haulage. This could equally impact on domestic trade and business.

Third Country Case Study

31. While the example is not directly relevant to the UK position post Brexit, it does give an indication of the process of a favoured third country (Turkey) exporting to the EU.

32. Moving their goods from A to B involves interactions with multiple actors, modes of transport and technology systems. Take, for example, a Turkish manufacturer of white goods to be exported to the EU. They load a crate of the goods from the final assembly plant onto a container, put it on the back of a lorry and it is driven away from the factory. The national government has already been notified of the trade through an export declaration, submitted electronically by a 'freight forwarder' – a third party paid by the exporter to handle paperwork and transport the goods. (Possibly a post-Brexit requirement in the UK) Goods to the EU need this process and addition cost before shipping. The goods are taken to the 'port of exit' to leave the country, but before they can do so they need to be cleared by the national customs authorities. The authorities carry out a risk assessment, based largely on the information submitted in the export declaration, and decide whether or not the goods need inspecting. If they are cleared without inspection, they are loaded and head towards their destination. If they require inspection before export, they must first be placed in storage to await inspection from port authorities. In this case the increases the delivery time and cost. Who pays this new cost (the business or the haulier) will depend on the agreed contract terms.

33. At the 'port of entry' the goods are presented to the authorities of the EU country of entry via another declaration. The goods are unloaded and placed in temporary storage while the country of entry conducts another risk assessment. Once all applicable duties have been paid and the goods have been cleared, the container is loaded (possibly onto another, different lorry) and transported to the importer's storage space. From there it is distributed to local stores. This sort of process is one that the UK has stated will not happen on the Irish border so it remains to be seen exactly how the process will play out.

34. The challenge of a third country in accommodating an increase in customs requirements at the border is a significant one and from discussion space is a serious issue at the main channel ports. Serious consideration will need to be given to schemes that can shift the emphasis and process of clearing customs away from the physical border/entry /exit points to cut down on time delays at busy ports. The private sector organisations involved in

operating the ports are incentivised to maximise throughput and trade flow, with available land used to generate revenue. They are not holding large amounts of spare capacity that can be easily used to accommodate additional HGV traffic that is taking longer to clear the customs process. At the ports facing the greatest immediate impacts, there is very limited room to expand. They are optimised for the current arrangements and are not able to rapidly scale up their customs capacity by orders of magnitude. This is likely to increase the need for clearance to take place away from these ports.

Scotland to the Channel Ports – Time and Distance

35. With the channel ports to the central belt in Scotland being close to the daily limit of an HGV drivers legal hours the impact of any further delay at customs might be more than marginal leading to the need for an overnight stop or a different set of driving arrangements. One possible way to address the issue would be with two drivers which while not further increasing the time taken could add significantly to the haulage costs. A second option might be a 'relay' where drivers only drive part of the way and then hand the load over to another driver at a stop over. This would be difficult for single owners of cabs, effectively passing their cab to another driver and then themselves driving a different cab back, but less of an issue for company owned cabs and employed drivers. The practicalities around this would need to be investigated, but it works in bus fleets (think Lothian for those in Edinburgh) and in cross country long distance coach and bus journeys such as on Greyhound in America.

36. Alternatively with a single driver it could delay the delivery by 7-8 hours as the HGV driver has to add in a stop for their long rest before reaching their final destination.

37. There are two sides to any border; any goods we export inevitably become an import in another country. This is a symmetrical process and, following Brexit, both sides will erect customs processes where there were previously none. It is unclear whether this customs process will count as part of the rest period. As already discussed, there seems no clear way for these to replicate the same frictionless trade as the UK currently enjoys through its membership of the Single Market and the Customs Union, it is just a question of the degree of additional friction that is created.

38. Of course exported (and imported) goods into Scotland do not need to go through the Channel ports, indeed some already do not. And for those on longer routes to the continent this could count as the driver's long rest period that is required by EU law⁷. For fisheries exports, the prominence of Boulogne sur Mer is a significant constraint on alternative routes and without the volume more generally Scottish exports are going to struggle to create alternative routes and crossings. In other perishable sectors such as meat and dairy where time is less critical and there is no monopsonist product does use alternative routes and ports to reach the continent. It may be that the volumes using these routes expand in response to additional (time) costs on the English channel crossings and in particular where the destinations lie in northern Europe. Logistics companies are well versed in such operations so it should not be too difficult for hauliers to make these switches should they prove viable and cost effective.

⁷ Obviously once the UK leaves the EU the EU HGV driver time limits may not apply. That said, it is unlikely that the UK would require or be able to impose many differences as there are physical and safety limits that would be needed and the EU regulations allow for driving up to 15 hours a week on a few days of the working week.

Passenger and Air Freight Statistics

39. The latest information on passenger numbers and flights⁸ is set out below. It shows that there were 26.9 million passengers at Scottish airports in 2016 (a rise of 5.6% from the previous year)

40. The most popular international destinations were Spain (2.4 million passenger journeys), the Netherlands (1.4 million), Ireland (1.2 million) and Germany (1.0 million).

41. The number of flights from Scottish airports to overseas destinations shows that 11.2 million of these passengers were travelling EU28 countries and Scotland's main international airports⁹. The most popular international destinations were Spain (2.4 million passenger journeys), the Netherlands (1.4 million), Ireland (1.2 million) and Germany (1.0 million).

42. Edinburgh and Glasgow in particular have seen significant growth in passenger and flight numbers and by association additional demand for aviation service personnel, ground crews and airport suppliers. Edinburgh Airport is Scotland's busiest and UK's 6th busiest airport. From its latest annual report passenger numbers were 12.4 million in 2016 up 11% or 1.24 million on the 2015 passenger numbers. It service an average of 33,880 passengers per day and has 33 airlines flying 188 routes to 130 destinations. There were 121,800 aircraft movements in 2016, up 6% on 2015.

43. In 2016, Glasgow airport handled nearly 9.4 million passengers, a 7% increase on 2015 passenger numbers, making it the second-busiest in Scotland, and the eighth busiest in the UK. It has 302 routes to 126 destinations. There were over 98,000 aircraft movements in 2016, down marginally on 2015.

44. UK air freight tonnage has remained relatively constant since early 2003 at around 2.3 million tonnes, and around three quarters of this tonnage come in/ departs via the London airports. This is not unsurprising due to the international reach of Heathrow in particular. In Scotland Edinburgh has seen its freight tonnage fall from over 36,000 tonnes in 2006 to 20,000 tonnes in 2015. Glasgow has seen its freight tonnage double from 6,300 to almost 13,000 tonnes, but at the same time Prestwick has seen its freight fall from over 28,500 tonnes to just 10,800 tonnes.

45. While the Scottish tonnage is low relative to the UK total of around 2.3 Million tonnes, at around 50,000 tonnes Scottish air freight compares against around 350,000 tonnes that arrives or departs by road, so it is not insignificant in the context of Scotland trade in goods.

46. Many of the aspects of exporting and importing will be identical, irrespective of whether the goods leave the country by air, tunnel, rail or ferry, in that all modes will need an entry and exit check. It is not known though what proportion of air freight is time critical/perishable although a report from Airport Watch quotes a BA estimate that 11% of air freight (by volume) was perishable in 2006. They also note that perishable traffic has been growing.¹⁰ It appears from the England and Wales analysis below that only a very small proportion of jobs at airports are freight dependent.

47. A recently published Independent Transport Commission study published in late 2017¹¹ looked at the challenges facing the UK aviation industry in its broadest sense. While

⁸ Data taken from Scottish Transport Statistics 2017, <https://www.transport.gov.scot/publication/scottish-transport-statistics-no-36-2017-edition/>

⁹ Scotland's main international airports are Aberdeen, Edinburgh, Glasgow and Prestwick

¹⁰ See page 10, <http://www.airportwatch.org.uk/wp-content/uploads/Air-Freight-Report.pdf>

¹¹ ITC – see references section

the UK may perform relatively well in terms of connectivity for air passengers, another important consideration for air connectivity is how effective the UK is at supporting the needs of air freight, particularly in a world where global value chains have become very important.

48. IATA developed two measures, the Air Trade Facilitation Index (ATFI) and the eFreight Friendliness Index (EFFI), to assess the effectiveness of smart border regulation, customs services and logistics chains from the perspective of air cargo. The ATFI provides a general indicator of the trade facilitation environment surrounding air cargo, while the EFFI relates to the ability to undertake cargo transactions electronically, which has clear benefits in terms of time and cost for exporters and importers. Both measures are positively correlated with the value of trade as well as the level of global value chain participation.

49. Using these measures to assess connectivity, the UK's relative performance is less strong than it is using measures of air connectivity based on passenger flights. In particular, from the perspective of the effectiveness of the UK's air cargo processes, the UK ranks as 22nd in the world on the EFFI index and 13th in the world on the ATFI index. In the case of the EFFI, the UK's score was just 72.2% of the score achieved by the top ranked country, namely the UAE. In the case of the ATFI, the UK's score was 93.4% of the top ranked country, which in this case was Austria.

Air Service Agreements, connectivity and the nine Freedoms of the Air

50. International aviation by its nature needs to cross borders, and the ability to cross any border at any point is vital for the quality of connectivity available. This is most apparent where air space is not accessible and flight paths become less direct and flights take more time. However, given the safety risks and the potential catastrophic nature of an aviation accident, the ability of airlines to offer international flights depends on countries trusting each other that appropriate safety regulations checks and maintenance will be enforced on national carriers. Partly because of safety concerns, trade in international aviation is therefore regulated differently to most trade. The WTO's General Agreement on Trade in Services (GATS) specifically excludes air traffic rights from the regime so even for WTO members the most favoured nation (MFN) regime does not apply.

51. Instead, international aviation is governed by a large number of Air Service Agreements (ASAs). These are either bilateral agreements, or agreements between groups of countries governing what international aviation services are allowed. ASAs can include not just restrictions on the nature of the services that can be offered, but also restrictions on issues such as which carriers are allowed to fly, the routes available, the number of flights allowed, the number of seats allowed, and even the number of landing slots to be provided at specified airports.

52. As part of negotiating an ASA, each country needs to decide how much access to their territory they are willing to give to carriers from their fellow signatories. The more access they give, then the greater the competition in the domestic market, promoting choice and reducing prices. By the same token, however, this may make it harder for national carriers to compete with foreign competitors, leading to potential calls for protection.

ASAs and the nine "Freedoms of the Air"

53. When agreeing an Air Service Agreement, one of the issues that countries need to decide is what rights they will grant carriers from the other country. The potential rights that might be granted have been characterised as the nine "Freedoms of the Air" and these are set out below. Note that the agreements under Freedom numbers cargo is expressly written into numbers 3-9 and is implicit in 1 and 2.

54. The first four Freedoms are those most commonly offered in traditional ASAs. It is more unusual for the remaining Freedoms to be granted as part of international ASAs.

Freedoms of the Air granted by State A to the Home State	
1 st	International scheduled air services from the Home State can fly across A's territory without landing.
2 nd	International scheduled air services from the Home State can land in A's territory for non-traffic purposes (such as refuelling).
3 rd	International scheduled air services by a registered carrier from the Home State can fly from the Home State and land in A's territory to put down passengers or cargo.
4 th	International scheduled air services by a registered carrier from the Home State can take off from A's territory to take passengers or cargo back to the Home State.
5 th	International scheduled air services by a registered carrier from the Home State can put down or take off from A's territory to take passengers or cargo from A to a third country, providing the flight connects with the Home State.
6 th	International scheduled air services by a registered carrier from the Home State can take passengers or cargo from a third country via the Home State to be put down in A's territory.
7 th	International scheduled air services by a registered carrier from the Home State can take up or put down passengers or cargo between a third country and A's territory, without the requirement that there is any connecting flight to the Home State.
8 th	International scheduled air services by a registered carrier from the Home State can take passengers or cargo from one part of A's territory to be put down in another part of A's territory, on services that originated in the Home State (or if the Seventh freedom is in operation from a third country).
9 th	International scheduled air services by a registered carrier from the Home State can take passengers or cargo from one part of A's territory to be put down in another part of A's territory without the requirement that there is any connecting flight to the Home State or elsewhere.

55. Oral evidence given to the House of Commons Transport Select Committee by key executives at Heathrow and Manchester airports, plus IAG (owners of British Airways) and EasyJet in October last year presented confident expectation that an EU-UK agreement over aviation would be achieved, and delivered in time to avoid interruptions, due to a desire on both sides to reach agreement. Further they were all confident that such an agreement would leave the current open skies outcome largely unaltered.[Insert reference]

56. While this preference for Open Skies exists, for the legislation to remain binding as is would require the UK to remain bound by the ECJ, something the UK Government has ruled out. Without such there is a need to create bilateral agreements that replicate this outcome. This creates the possibility of differences.

57. Airlines such as EasyJet have already created an EU centred subsidiary to allow it to operate within the EU and other companies are already making arrangements to ensure that they comply with non-EU ownership rules/share registrations. These actions will add to the cost of operation, even if most of the costs are upfront in the setting up of a subsidiary in an EU city.

58. Whether the Civil Aviation Authority will be recognised as the equal of the European Aviation Safety Agency will also affect the airworthiness certification of UK planes landing in the EU.

[redacted]

Conclusions

59. Currently very little of the freight transporting business in Scotland relies for income on transporting goods to or from the EU. Of course for particular firms involved in the transport of those goods that do connect internationally by road or air it could be very important.

60. The presumption here is that by removing free trade with EU, there will be increased customs activity at entry/exit points to the UK. For transport providers this is likely to increase the time it takes to clear customs, with the resultant delays having direct costs in terms of travel time/labour costs/fuel costs and also having a knock on effect on the users (e.g. costs of perishable products being 'late'). In terms of being able to quantify these costs, it is difficult to know exactly what customs delays might arise without knowing more about what the eventual Brexit deal might be.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627121/international-road-freight-statistics-2016.pdf (Reference for end notes)

Additional impact data

61. There is some published information on customs cost, although it is for UK not Scotland – given that goods transported from/to Scotland to EU will predominantly go via Channel ports or tunnel this may not be an issue.

62. Oxera quote WTO as saying that 8% of the cost of importing goods by sea comes from customs clearance. We could interpret this as suggesting that costs (for both imports and exports?) would rise by 8% if we move from free trade to a post Brexit trade deal.

63. FTA estimated that Operation Stack cost the affected vehicles a total of £750k per day, although many of the haulier costs here will be borne by non-Scottish haulage companies.

64. The loss of these exports and export markets may turn the goods onto the UK market. So there could be some displacement from cross-channel to UK destinations.
[redacted]

(trade flows to and from EU)

- Oxera report estimates that traffic growth following market liberalisation in air was 12-25%. **[redacted]**
- Oxera also estimate that if all flights operated by third country airlines were removed, the fares for UK passengers would rise by 15-30%.
- Oxera say that 90% of UK trade is handled by ports.
- Oxera say that the EU's average tariff is 5.3% (2014) - so this could be the scale of increased costs for UK exports (and imports?). SPIE2 assumes 5% as the likely tariff under the WTO scenario (with 0% under FTA or EEA scenarios).¹²

¹² See page 53 of SPIE2 - <http://www.gov.scot/Resource/0053/00530160.pdf>

Question ii – Impact of leaving EU on Scottish transport workforce (and related industries such as warehousing etc)

65. There are no published sources of data that will comprehensively answer this question, but it is possible (for some sectors at least) to estimate the potential scale of EU workers in the Scottish transport workforce based on published figures/reports.

66. The 2011 Census contains some high level information on the number of migrants from EEA countries by sector. This reports that there were 6,353 migrants from EEA countries working in the Transport and Communications sector (3.27% of the total workforce in that sector). The Census also reports numbers for Transportation and Storage which show 3,763 EEA migrants, representing 3.01% of the workforce in that sector.

67. The Census data is now fairly dated, and perhaps crucially in this case predates the Brexit vote. However, the Annual Population Survey gives more up to date results (for July 2016 to June 2017) for Transport and Communications which shows that 3.4% of the workforce in that sector are EU nationals – a total of 7,000 people. This represents 5.4% of all EU workers in Scotland. The APS also reports that there are nearly 5,000 non-UK workers in Transport SICs, although this cannot be broken down into EU and non-EU for disclosure reasons.

Road and Rail

68. TRL estimated that 31,000 people are employed in the trunk road network in Scotland (24,000 in road freight, 5,000 in public transport and 2,000 in construction and maintenance). They also estimate that a total of 37,000 are employed in road freight (based on TS work from 2013) – the TRN accounts for 66% of these (hence the 24k figure) SABS data (2013) 13,200 employed in freight transport by road.

69. Oxera estimated that the rail sector employs 12,800 workers in Scotland. So what percentage might be from EU? ONS figures suggest that this could range from 4.9% (proportion of EU workers in all sectors in Scotland) to 9.7% (proportion of EU workers in Transport and Communications sector at the UK level). So, we could take 5-10% as rough estimate.

70. Based on the above figures this would suggest

- Trunk Road Network employs 1,550 to 3,100 EU nationals
- Freight transport by road employs 660 to 1,320 EU nationals
- Rail employs 640 to 1,280 EU nationals

71. What other sources of information are there? Rail Alliance estimate (for UK) that 15-20% of industry's workforce (of 216k) are from EU countries (up to 50% in London+SE). If we accepted this assumption for Scotland then it would suggest 2-2,500 rail workers are from EU (based on Oxera estimate of 12,800 rail workers in Scotland). But the UK average may overstate the numbers in Scotland given that London and SE have a significantly higher percentage EU workers than other parts of UK.

72. HoC Inquiry into Road Haulage quotes RHA figure of 60,000 foreign HGV drivers working in UK. If we crudely assumed that Scotland accounts for 10% of the UK total, this would suggest 6,000 foreign (so not all EU) drivers. But it isn't clear from the report whether this means employed in UK or driving in UK whilst being employed overseas.

73. What do we know about projected gaps? HoC inquiry into Road Haulage says UKG agrees that there is a shortage of 45,000 HGV drivers in the UK (2014?) – also a figure for

likely future growth. If we crudely took a 8.2% population share¹³ for Scotland then this would suggest a shortage of around 3,700 HGV drivers in Scotland (remember this is before Brexit). Note that HGV licensing figures (see below under Q3) suggest Scotland has about 10% of UK HGV drivers – so could we say a shortage of 4,500?

Maritime sector

74. Oxford Economics published a report in 2015 which estimated that there were 35,600 people¹⁴ employed in maritime services in Scotland – 24,400 in ports and 11,200 in shipping. They say that this represents around 25% of UK maritime employment. The sector is estimated to be responsible for £1.8 billion in GVA (£1.6 billion from ports and £0.2 billion from shipping), making Scotland the 2nd largest region (in GVA contribution terms) behind London (note this means that Scotland is ahead of South East England based on this analysis).

75. If we adopt a similar approach to that used for road and rail employment (see para 72) then this suggests that there could be 1,800-3,600 EU employees in the maritime sector

Aviation sector

Aviation Employment

76. In the overall scale of the operation – the UK's aviation industry is worth £60 billion a year – and the potential additional costs are small. However should the transition leave the UK not as well aligned as it wishes these costs will rise and the value of the industry to the economy and the numbers of passengers transported could be affected. UK flights to Gibraltar or the land border in Ireland may be a sticking point for the Spanish or Irish Governments as all EU Member States need to agree the final deal.

77. While we have yet to find any particular analysis for Scotland in its own right or as part of the UK there has been useful analysis of England and Wales undertaken by Analytically Driven Ltd, quoted in the study by the Independent Transport Commission.

78. From this work, only 11.5% of the 7,201 local mid-layer super output areas (MSOAs) in England and Wales have any employment activity associated with the aviation sector as a whole (both services and manufacturing), only 7.5% have any employment linked to aviation manufacturing and only 5.3% have any employment linked to aviation services, see Table below. It is unlikely that the situation in Scotland is very different, although specific analysis would need to be carried out, assuming the data exists to do so. Furthermore, there is a significant contrast between the average number of aviation jobs in MSOAs with employment in the sector, compared to the maximum number of jobs. This suggests that employment in aviation is relatively concentrated, particularly in the case of aviation service sector employment. For example, in contrast, 22.2% of MSOAs have employment linked to travel agencies and these jobs are more likely to be more evenly spread across the UK.

79. Unsurprisingly the area of the UK that has the highest density of employment relating to aviation is Houslow, while the area with the highest specifically relating to airport services, freight and cargo is Hillingdon. Hillingdon MSOA contains Heathrow, the largest airport in the UK. The highest share of aviation manufacturing employment is Derby. Rolls Royce and Bombardier have facilities in and around Derby.

¹³ ONS population estimates for 2016 show Scotland had 8.2% of UK population

¹⁴ The employment figures include assumed numbers of HMRC and Border Force staff working in Scotland

80. While there is no Scottish area data from this analysis it is worth noting that freight and cargo services are by some distance the smallest activity surrounding aviation. The numbers of jobs relating to aviation activity more generally is much higher.

Table Distribution of aviation sector employment at Mid-layer Super Output Area level in 2016

	% of MSOAs where sector of MSOAs contributes to area employment	Average jobs in the sector in MSOAs with employment in that sector	Maximum sectoral employment in a single MSOA
Total aviation	11.5%	273	27,010
Total aviation manufacturing	7.5%	191	12,000
Total aviation services	5.3%	322	27,010
Total flight services	3.0%	331	26,010
Total airport services	3.2%	220	12,500
Total freight and cargo services	1.7%	59	1,550

Note: Data from Business Register and Employment Survey for all employees.

In total there are 7201 MSOAs in England and Wales. Each average only considers MSOAs with employment in that part of the sector, therefore the average number of jobs for total aviation will not equal the sum of aviation manufacturing and aviation services jobs. The MSOA with the highest total aviation employment, total aviation services employment and total flight services employment is Hounslow 018; the MSOA with the highest airport services and freight and cargo services is Hillingdon 031 (which contains Heathrow airport); and the MSOA with the highest aviation manufacturing employment is Derby 024.

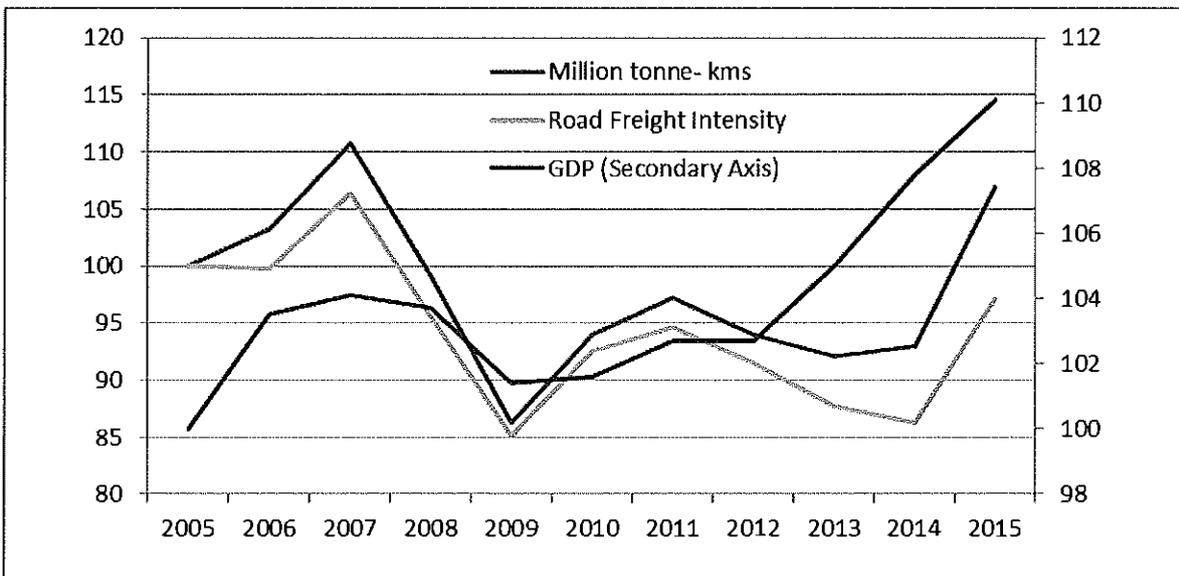
Question 3 – Secondary/indirect impacts on transport stemming from the economic impacts of leaving EU

Impacts from the wider economy

Haulage of Scottish goods within Scotland and rest of the UK

81. The vast majority the Scottish haulage industry is involved in delivering goods within Scotland and when all of the UK deliveries are included this accounts for over 99% of the business.

82. Generally kms travelled by freight is quite strongly related to economic performance, and despite the physical goods sectors of the economy being of declining importance the linkages within the economy still mean that the service sector is heavily reliant on physical goods for its offices retail outlets and construction activity. The tonne kilometres Freight intensity and GDP indices below shows how freight tonnes have been impacted on by economic growth,



The supply chain integration

[redacted]

Transport – is it a good or a service?

83. This could have an impact as many of the options for agreements (Canada?) seem to distinguish between the two activities.

84. Fewer foreign hauliers operating in UK means increased domestic demand. Understand that there is a shortage of hauliers so prices charged could rise in the short term (less supply, greater demand). Longer term – more dependent on the broader economic performance.

Cabotage

85. Cabotage is non UK registered trucks delivering exclusively within a foreign country. Data suggests that in the UK only 1% of trucks operate this way so the domestic (Scottish)

market will be almost unaffected. It would seem that much of the Scotland UK market would also be unaffected by cabotage but there may be specific industry cases where it is important.

86. There are though clearly a increasing number of foreign registered trucks operating in the UK, and an increasing level of vertical integration could mean as it does in the fish sector that contracts stipulate the haulier to be used or the cab and trailer (with only the driver cost open to competitive forces.)

[redacted]

87. Some evidence that foreign trucks are also substituting for UK goods vehicles on cross channel traffic as UK vehicle numbers crossing the channel are lower than in 1995, despite the sharp increase in the cross channel traffic.

88. There is some information available from the FAI report¹⁵, but it looks at Wholesale, Retail, Transportation and Storage as one sector. Their report from Oct 2016 to the Scottish Parliament says that Transportation and Storage accounts for c.3% of Scottish exports (2014). Impact on exports would range between -12% and -26%. Scottish GDP would be 2-5% lower after 10 years. The Wholesale, Retail, Transportation and Storage sector would suffer the biggest loss in value added (-£500 million to -£700 million (Swiss scenario) rising to >£900 million (WTO scenario). Also 2% increase in tariffs.

What else do we know about transport’s contribution to the economy/links with EU?

89. What is the scale of the road freight sector? DfT freight stats say that road is the main method of transporting freight across the UK (in 2014)

Road	151 billion tonne kms
Rail	23 billion tonne kms
Water	29 billion tonne kms

90. The ABS (2014) shows that the road freight sector:-
 Included 36,552 enterprises
 Employed 222,000 individuals
 Contributed £11.2 billion to the UK economy

91. LFS (2015) shows a total of 299,000 HGV drivers in UK. HGV licensing suggests 30,000 HGV drivers employed in Scotland (DM slides for freight work)

92. Road Haulage Association (RHA) - 4.4 million driver accompanied freight vehicles moved between UK and continental Europe in ‘the last year’ (published Feb 2017 – so assume 2016?)

Aviation

93. STS shows that in 2015 there were 9.6 million passengers travelling between Scotland and Europe (9.564 million relate to EU28). This is 38% of all passenger traffic at Scottish airports. (Table 8.3)

94. Also 56,000 tonnes of air freight was carried (no breakdown of origin/destination, no £s value). (Table 8.13)

¹⁵ The Economic Implications of Brexit, FAI for Scottish Parliament – http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-77_The_Economic_Implications_of_Brexit.pdf

[redacted]

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Implementing Brexit: Customs

<https://www.instituteforgovernment.org.uk/publications/implementing-brexit-customs-september-2017>

Impacts of Alternative Post-Brexit Trade Agreements on UK Agriculture: Sector Analyses using the FAPRI-UK Model

<https://www.afbini.gov.uk/sites/afbini.gov.uk/files/publications/FAPRI-UK%20Brexit%20Report%20-%20FINAL%20Clean.pdf>

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<http://marine.gov.scot/data/economic-impact-uk-maritime-services-sector-scotland-oxford-economics-2013>

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Analytically Driven Ltd for the Independent Transport Commission

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FoI/18/02051 - Annex B – Extracts from Briefing

OVERVIEW

The EU's Common Transport Policy has resulted in action in a number of policy areas including: creation of a single market in transport services; promotion of high safety standards, security, passenger and workers' rights, ensuring transport does not negatively impact on the environment and the creation of Trans-European Networks (involving the interconnection and interoperability of national networks as well as access to such networks).

These are all outcomes that have brought significant economic, social and environmental benefits to Scotland which need to be protected. Of particular importance to transport is access to the Single Market and the free movement of people and goods which allows unfettered physical access for all modes of transport across the EU.

The success of the transport sector is intrinsically linked to the success or otherwise of the overall economy. Therefore the impact of Brexit on transport companies operating in the aviation, logistics, shipping, rail and bus sectors, has been to create economic uncertainty and instability, particularly until the precise terms are agreed. Furthermore, as highlighted in our paper 'Scotland's Place in Europe; People, Jobs and Investment' all scenarios short of continued EU membership result in a forecasted decrease to economic growth in Scotland, which could have a corresponding impact on aggregate transport demand.

UK Position

While all the priorities outlined above are likely to be shared by transport operators throughout the UK, any negative impact from delays at customs or workforce shortfalls as a result of Brexit could disproportionately impact Scottish freight and shipping services, given the peripheral geography involved. Therefore, it is important that the terms of any future arrangements with the EU take into account the sometimes differing needs of Scottish transport operators.

The UK Government has stated in its position papers that it will prioritise securing the freest and most frictionless trade possible in goods and services between the UK and the EU. However, they have also stated they will not be seeking membership of the Single Market, or Customs Union.

On 12th July 2018 UKG published its White Paper on 'The future relationship between the United Kingdom and the European Union'. The paper states that the UK will seek reciprocal liberalised access in air services agreement using the EU-Canada Air Services Agreement as a precedent, and explore options for reciprocal access for road transport operators. It also sets out general positions for maritime and rail¹.

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/724982/The_future_relations_hip_between_the_United_Kingdom_and_the_European_Union_WEB_VERSION.pdf

Common rulebook

The UK will “maintain a common rulebook for all goods” including agricultural products after Brexit, committing via treaty on “continued harmonisation” with EU rules avoiding friction at the UK-EU border, including Northern Ireland. Parliament will oversee trade policy and have the ability to diverge from EU rules.

Joint Jurisdiction

A "joint institutional framework" will be established to interpret UK-EU agreements carried out in each jurisdiction by their respective courts. However decisions by UK courts would involve "due regard paid to EU case law in areas where the UK continued to apply a common rulebook". Cases will still be referred to the European Court of Justice (ECJ) as the interpreter of EU rules, but "cannot resolve disputes between the two".

New customs deal

The Facilitated Customs Arrangement would see the UK and EU avoid hard borders by being treated as a “combined customs territory” to ensure the trade in goods between the UK and the EU remains frictionless at the border. The UK would apply domestic tariffs and trade policies for goods intended for the UK and their EU equivalents for goods heading into the EU. The statement says the new arrangements would prevent a hard Irish border, ensuring the “backstop” elements of the initial withdrawal agreement would not be needed.

Freedom of Movement

Freedom of movement for EU nationals will end to be replaced by a ‘Mobility Framework’ allowing EU and UK nationals to travel to each other’s territories and apply to study and work.

In stating the UK wishes to ensure the trade in goods between the UK and the EU remains frictionless at the border they have changed their position from the Prime Ministers Mansion House Speech when she said “the UK-EU border should be as frictionless as possible”.

On 16th July 2018 the Customs Bill was approved by the House of Commons which gives UKG the power to build new trade relationships around the world after the UK leaves the EU, sets out how the current customs, VAT and excise regimes operate for cross border transactions, with a number of amendments. One prevents the UK from collecting taxes on behalf of the EU, unless the rest of the EU does the same for the UK However applying EU tariffs to products destined for the EU is part of UKG’s plan to avoid friction at UK borders after Brexit. Further amendments ensure the UK is not in the EU's VAT regime could make the EU's "backstop" on customs impossible by ruling out a border in the Irish Sea.

On 19th July 2018 UKG stated it is to start releasing 70 public notices instructing businesses and households on how to prepare for a "no deal" Brexit in the coming months².

EU Position

² <https://www.express.co.uk/news/politics/991007/brexit-news-no-deal-parliament-theresa-may>

The EU has welcomed the recognition by the UK that the four freedoms of the Single Market are indivisible and that there can be no cherry picking. The EU notes that any free trade agreement should be balanced, ambitious and wide-ranging. It cannot, however, amount to participation in the Single Market or parts thereof, as this would undermine its integrity and proper functioning.

Through its Article 50 taskforce the EU has released slide packs relating to internal discussions on transport. These packs indicate that the EU shares the UK's overall desire to maintain transport connectivity following Brexit, and suggests ways this would be achieved. However, these options are predicated on the UK's 'red lines' around Single Market and Customs Union membership and therefore cannot ensure the same level of access currently enjoyed through EU membership.

Regarding the future relationship, the Article 50 Taskforce slides present a wide range of possible outcomes including: an integrated transport area, EU sectoral Agreements, a Free Trade Agreement (which includes relevant transport services) and bilateral sectoral agreements with individual member states. From this perspective the UK will become a third country *vis a vis* the EU and therefore cannot expect the same level of market access it currently enjoys.

Michel Barnier, the EU's chief Brexit negotiator commenting on UKG's publication of 'The Future Relationship Between the United Kingdom and the European Union' on 12th July 2018 said he would analyse the UK's proposals with EU member states and the European parliament "in light of guidelines" drawn up by EU leaders. The UK proposals would be assessed against EU principles such as integrity of the Single Market, indivisibility of the four freedoms, and autonomy of EU decision-making.

On 19th July 2018 The European Commission issued a paper advising EU27 countries of the consequences a "no deal" Brexit stating it is the responsibility of each individual nation and institution to hire staff and make arrangements in the event of a no deal scenario. The document warns that preparations must be stepped up immediately at all levels to take in all possible outcomes. Citing potential disruption to transport modes including the aviation industry whilst customs, sanitary and phytosanitary controls at borders could cause significant delays in road transport and difficulties for ports³.

On 20th July 2017 **Michel Barnier, the EU's chief Brexit negotiator** speaking after a lengthy discussion on the UK's Brexit white paper with ministers of the EU27, refused to reject the proposal entirely, saying there were "some positives and negatives". On the facilitated customs arrangement he said it raised practical, legal, economic and budgetary questions. He also questioned whether a non-EU country could collect EU customs without being subject to EU oversight. The EU is also deeply concerned the customs plan would give non EU companies a competitive edge over EU rivals if the UK and other countries used the UK as a route to avoid higher EU tariffs. On elements of the EU negotiating principles he made it clear he believed the UK had breached the EU's red lines. He was more conciliatory on the

³ <https://ec.europa.eu/info/sites/info/files/communication-preparing-withdrawal-brexit-preparedness.pdf>

NI backstop insisting that it did not have to be the one proposed by the EU and it was not designed to cut Northern Ireland off from the rest of the UK"⁴.

As reported in The Guardian on 26th July 2018 **Michel Barnier, the EU's chief Brexit negotiator** categorically ruled out a new customs arrangement put forward by the UK following talks with **Dominic Raab the Brexit Secretary**. Stating "Maintaining control of our money, law and borders also applies to the EU customs policy. The EU cannot and will not delegate the application of its customs policy and rules, VAT and duty collection to a non-member who would not be subject to the EU governance structures" and "Any customs arrangements or customs union – and I have always said that the EU is open to a customs union – must respect this principle"⁵. Further discussions of the plan is likely to take place at a meeting in Salzburg on 20th September 2018, which has been billed as Theresa May's last chance to sell the Chequers plan to European leaders.

⁴ <https://www.theguardian.com/politics/2018/jul/20/france-minister-nathalie-loiseau-brexit-concessions-theresa-may-commons>

⁵ <https://www.theguardian.com/politics/2018/jul/26/michel-barnier-tears-up-theresa-mays-brexit-customs-proposals>

Maintain and improve physical access

UK position

The UK Government has stated in its position papers that it will prioritise securing the freest and most frictionless trade possible in goods and services between the UK and the EU. However they have also said they will not be seeking membership of the Single Market, or Customs Union which has been reiterated in speeches and comments throughout 2017 and 2018.

In the Prime Minister's Florence speech [22 Sept 2017] she stated that the UK will no longer be members of the European Single Market or Customs Union, and that the UK would seek to agree a new framework in a close partnership with the EU 27, but with rights and obligations in a new balance.

The PM also stated in this speech that "The United Kingdom will cease to be a member of the European Union on 29th March 2019....at that point, neither the UK - nor the EU and its Members States - will be in a position to implement smoothly many of the detailed arrangements that will underpin this new relationship we seek." and therefore proposed that a period of 'implementation' should occur after the UK leaves the EU. Such an implementation period was subsequently agreed in principle as part of the draft withdrawal agreement at the European Council in March '18.

In the Prime Minister's Mansion House speech [2 March 2018] she made her first direct reference to the UK's priorities on transport, stating that the UK government would seek to ensure the continuity of air, maritime and rail services; and protect the rights of UK road hauliers to access the EU market and vice versa.

On 7th February 2018 the UK Government introduced its Haulage Permit and Trailer Registration Bill providing the legislative means for the UK government to set-up both road haulage permit and trailer registration schemes in the event of a 'no deal' Brexit scenario.

On 21st May 2018 the Department for Transport announced improvements to Operation Stack to ensure traffic flows in the event of serious disruption to cross-Channel transport.

On 7th June 2018 DExU published the 'Framework for the UK-EU Partnership Transport' outlining the UK's objectives for the future relationship on transport seeking a comprehensive agreement on air transport, providing continuity of services and an enduring solution that negates the need for permits, additional documents and systematic document checks for all road users⁶.

On 12th July 2018 UKG published its White Paper on 'The future relationship between the United Kingdom and the European Union'. The paper states that the UK will seek reciprocal liberalised access in air services agreement using the EU-Canada Air Services Agreement as a precedent, and explore options for reciprocal access for road transport operators. It also sets out general positions for maritime and rail whilst also seeking continued cooperation with the European Maritime Safety Agency (EMSA). believed not to have been overtly mentioned in previous speeches or UK publications.

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714676/Framework_for_the_UK-EU_partnership_Transport.pdf

EU position

In December 2017, the European Commission has written to road transport operators to advise that unless a ratified withdrawal agreement establishes another date or the period is extended then the United Kingdom will then become a 'third country'.⁷ The Commission notes that this would have the following consequences:

- Certificates of professional competence, including driving licenses issued by an authority of the United Kingdom or a body authorised by the United Kingdom will no longer be mutually recognised valid in the EU-27.
- Community licences issued by the competent authorities of the United Kingdom will no longer be valid in the EU-27. Hauliers established in the United Kingdom will no longer have access to the internal road haulage market in the Union.

The EU Commission also wrote to flights operators stating that as of the withdrawal date, the operating licences granted to airlines by the United Kingdom Civil Aviation Authority will no longer be valid EU operating licences. Air carriers of the United Kingdom will no longer enjoy traffic rights under any air transport agreement to which the Union is a party, be it to or from the territory of the United Kingdom.

This means that the legal framework for flights to the EU or between its member states under the right of 'cabotage' would no longer apply. They would also lose their flying rights under agreements the EU has negotiated on behalf of its members with third countries, the most important of which is the EU-US Open Skies Agreement that enables any EU or US airline to fly any transatlantic route.⁸

On 17th January 2018 the EU's Article 50 Taskforce published a slide pack on internal preparatory discussions on framework for future relationship in aviation. The information in this slide pack sets out the EU position that the UK is leaving the single aviation market and so would not retain full access to all nine freedoms. Instead any future relationship would likely be based on more traditional aviation agreements. Interestingly, the pack also suggest that the EU accepts the obligation to offer a 'bare-bones' deal in aviation should negotiations are unsuccessful in order to maintain basic connectivity.

The Article 50 taskforce published a further series of slides in 21st February 2018 relating to non-aviation transport sectors which detailed the agreements and protocols that the UK would no longer be party to including; Market access; recognition of licences and certification; Enforcement and supervision issues across, and provided the international "fall back" options for road, rail and maritime:.

On the transition period, the slides affirms that the status quo would be maintained during the Transition period – with the exception that the UK will be invited to EU agencies such as European Rail Agency (ERA), European Aviation Safety agency (EASA), European Maritime Safety Agency (EMSA) only on an exceptional basis and without voting rights. This intention appears to have been translated into the Article 123 EU's draft Withdrawal Agreement published on 28th February 2018.

⁷ <https://ec.europa.eu/transport/sites/transport/files/legislation/2017-12-11-notice-to-stakeholders-road-transport.pdf>

⁸ <https://ec.europa.eu/transport/sites/transport/files/legislation/2017-12-11-notice-to-stakeholders-air-transport.pdf>

On the future relationship, the EU slides present several a wide range of possible outcomes including: an Integrated Transport Area, EU sectoral Agreements, a Free Trade Agreement (which includes relevant transport services) and bilateral sectoral agreements with individual member states.

On 28th March 2018 the European Commission published a notice to stakeholders outlining that once the UK had left the EU on 30th March 2019 that UK ship recycling facilities will no longer be eligible for decommissioning EU state flagged vessels⁹.

The Article 50 taskforce published a series of slides on 22nd May 2018 outlining the checks and controls that need to be carried out on goods entering, transiting or leaving the customs territory of the European Union. The controls are carried out by customs authorities, in close cooperation with other competent authorities, at the external border of the European Union. The slide also shows what checks and controls are not required if there is a customs union between the EU and a third country.

Filip Cornelis, the director of aviation at the EU Commission's transport department told a meeting on 12th June 2018 attended by EU27 diplomats and representatives of their civil aviation authorities that EU countries should prepare their airports and aviation sector for a "no-deal" Brexit. He advised countries to be ready for the possibility of the U.K. crashing out of the EU without a deal on March 29th 2019, saying that they should consider their customs handling capacity and prepare for impacts on security, market access, safety regulations and passenger rights¹⁰.

DA positions (if known)

In '**Securing Wales Future**', the Welsh Government states that full and unfettered access to the Single Market for goods services and capital is vital for the forward interests of Wales. It further adds that the imposition of tariffs, and non-tariff barriers such as product certification and company registration, between the UK and the EU could only be damaging to business in Wales and the UK. In regards to the liberalisation of air transport across Europe the Welsh Government stated that it would wish to retain these benefits after leaving the EU.

Northern Ireland – In a letter to the Prime Minister, Northern Ireland was clear about the need to retain as far as possible the ease with which we currently trade with EU members states. It is critical to our economy that our business, both indigenous and foreign direct investment companies, retain their competitiveness and do not incur additional costs. (source: joint letter Northern Ireland's first minister, Arlene Foster, and deputy first minister, Martin McGuinness)

⁹ https://ec.europa.eu/info/sites/info/files/notice_to_stakeholders_brexit_ship_recycling_final.pdf

¹⁰ https://www.politico.eu/article/airlines-customs-commission-to-eu27-prepare-airports-cargo-shipping-for-a-no-deal-brexit/?utm_source=POLITICO.EU&utm_campaign=f34601ccf6-EMAIL_CAMPAIGN_2018_06_26_05_43&utm_medium=email&utm_term=0_10959edeb5-f34601ccf6-190288573

At the NI Chambers of Commerce on 29 September 2017, the Minister for Foreign Affairs and Trade said, in respect of borders, that one clear way for the current arrangements being preserved is for the UK to remain a member of a Customs Union and Single Market.

Aviation Facts and Figures

- 1.1. The EU is the largest international destination for Scottish passengers, and the UK is the most significant contributor of air traffic with the EU. There were 26.9 million air passengers at Scottish airports in 2016 and increase of 1.6 million on 2015, with Edinburgh, Glasgow, Aberdeen and Inverness accounting for 94% of the total¹¹.
- 1.2. In 2016, 5% of all terminal passenger traffic was within Scotland, 42% was to/from other parts of the UK, and 41% was between Scotland and mainland Europe. Of the 13.7 million international air passenger journeys from Scottish airports in 2016, 11.2 million were to the other EU-28 countries (excluding UK), with the largest destinations being Spain, Netherlands, Ireland.

Road Haulage Fact & Figures

- 1.1. Freight transport by road continues to dominate at EU-28 level in 2016, accounting for 76.5% of the total inland tonne-km performed. The UK had 145,028 million tonne-km in 2016, and was 3rd largest of the EU-28. However the UK only has a very small percentage (less than 5%) of the cross-trade and 'cabotage' (the transport of goods on the national territory of one country carried out by hauliers from another country) in international road freight¹².
- 1.2. In 2016, 16.9 billion tonne-km of freight originating in Scotland was transported to all destinations. Of this 67% remained in Scotland, with the vast majority of the rest going to England¹³.
- 1.3. The volume of Scottish international (non-UK) road freight is small, with 225,376 tonnes of goods leaving Scotland by road for non-UK countries in 2016, of which 91% was for EU countries. The main destinations were France, Netherlands and Belgium & Luxembourg.
- 1.4. However, Scotland does have some of the largest road haulage companies operating in the UK and, although volumes of freight going direct to the EU are relatively small, access to the UK and European markets is vital for the transport of key growth sectors for the Scottish economy – such as food and drink.

¹¹ <https://www.transport.gov.scot/media/41863/scottish-transport-statistics-2017-with-correction-to-table-214.pdf>

¹² http://ec.europa.eu/eurostat/statistics-explained/index.php/Freight_transport_statistics

¹³ <https://www.transport.gov.scot/media/41863/scottish-transport-statistics-2017-with-correction-to-table-214.pdf>

STAKEHOLDER VIEWS

Freight Transport Association - In its response to the Scottish Parliament's Committee's call for evidence, the Freight Transport Association stated that the decision to leave the EU raises fundamental issues for logistics that need to be resolved during negotiations. These included conditions and procedures for future trade with the Single Market.

The Chartered Institute of Logistics and Transport has provided the DfT with advice on the implications of Brexit including the need to rationalising border agencies, securing skills and labour, and reducing customs and non-tariff barriers.

Confederation of Passenger Transport has said that it will continue to "fight for open market access and for the on-going freedom of movement and freedom of travel".

The Road Haulage Association has identified three key priorities that will need to be addressed during negotiations, one of which was:

- Unimpeded access for international road haulage operators in the UK and the EU (that is full access for UK and EU road operators transporting goods to, from and through the UK and the EU.)

Willie Walsh, chief executive of British Airways owner IAG, told the HoC Transport Committee [30 Oct 2017] that he had no concerns about flying rights between Britain and the United States, adding that "one second" after Britain leaves the EU there will be an Open Skies treaty with the United States.

He did however seek more clarity about Britain's participation in the European Aviation Safety Agency (EASA) after it leaves the EU and what rules it will follow, because that has implications for the way airlines maintain and operate their aircraft.

Glasgow Airport – AGS Airports Ltd made the following comments in Scottish Govt's paper 'Brexit – What's at Stake for Businesses' –

'Airlines plan their routes and flights six to twelve months in advance and so September 2018 is the key date for a Brexit date of March 2019. The UK aviation industry and the rest of the world are covered by deals involving 155 countries: 44 of these are through EU wide agreements, covering the majority of passengers.

Aviation is legally unique, it is separate from trade agreements and does not form part of the World Trade Organisation (WTO) system. The UK has access to the EU's external aviation agreements, most importantly the 2008 EU-US Open Skies Agreement that enables any EU or US airline to fly any transatlantic route.

Without new agreements on aviation being agreed pre-Brexit and in the absence of a transitional deal, airlines would lose the legal framework to fly their current EU routes

and some long-haul ones, including to the US and Canada [Note – a transition agreement has now been made in principle following European Council in Mar '18].

The uncertainty regarding the UK's future trading relationship with EU is already having an impact on the aviation industry. A number of airlines have stated they will scale back their UK growth plans, focusing instead on adding capacity at airports in the EU. Airlines have also reported a marked increase in their cost base due to the fluctuation in the exchange rate. Taken together, this has the very real potential to undermine Scotland's connectivity.'

In their April '18 document, 'Scottish Ports: Gateways for Growth', the **British Ports Association** noted that shipping is resilient in its nature and should be able to adapt but needs to avoid uncertainty. The paper also notes that priorities for the ports industry include tackling potential challenges on the possible re-introduction of frontier and customs controls on European port routes, environmental policy changes, new trade opportunities, transport infrastructure investment and stimulus, and the impacts and outcomes across the fishing sector. In terms of opportunities the industry feels that the UK Government should look at regulatory frameworks, post-Brexit, with the forthcoming EU Port Services Regulation being of particular concern.

In their April '18 document 'Smooth operations: an A-Z of the EU rules that matter for the economy', the **Confederation of British Industry** notes the views of business are clear. On Aviation convergence on rules will be necessary to maintain connectivity between the EU and the UK, ensuring the UK remains a global leader in aviation while keeping costs low for travellers. Additionally, UK membership of EASA is imperative – the UK should continue to play a key participatory and leadership role in the agency. On Road Haulage businesses are looking for equivalence on UK and EU rules in haulage to maintain the benefits of the Community Licence, critical to keeping costs as low as possible for UK hauliers. Negotiating continued equivalence of UK and EU driving licencing rules will also help to keep the sector competitive¹⁴.

Henrik Honolei, Director General for Mobility and Transport at the European Commission on 18th May 2018 said there is still a possibility flights will not take place after Britain's planned departure from the EU saying 'The possibility still exists that on day one no flights operate. It hasn't disappeared'¹⁵.

As reported in the Independent on 21st May 2018 **Ryanair Chief Executive Michael O'Leary** remains concerned about the impact of a hard Brexit, stating "While there is a general belief that an 18-month transition agreement from March 2019 to December 2020 will be implemented and further extended, it is in the best interest of our shareholders that we continue to plan for a hard Brexit in March 2019."¹⁶

As reported in The Telegraph on 28th May 2018 the UK is close to agreeing an 'open skies' agreement with America this summer that will keep planes flying between both countries after Brexit, UK and US negotiators have agreed that major transatlantic airlines must be covered despite them being foreign owned - a break with the normal

¹⁴ [Smooth operations: an A-Z of the EU rules that matter for the economy](#)

¹⁵ [Reuters News report](#)

¹⁶ <https://www.independent.co.uk/news/business/news/ryanair-budget-airline-pilot-pay-increase-record-profit-michael-oleary-brexit-a8360986.html>

rules. That means flights from Virgin, Norwegian Air and British Airways owner IAG - all majority-owned outside of the UK and US - would continue after Brexit. Britain has also offered in principle to include its overseas territories in the agreement, something not covered by the current EU-US 'open skies' deal. Britain also needs to separately negotiate an "open skies" agreement with the EU, which is critical for US airlines as half of all Americans who fly into the UK travel onto the Continent¹⁷.

On the 5th June 2018 the **Freight Transport Association** stated "Of the eight demands made in FTA's list of essentials to 'Keep Britain Trading' issued at the beginning of the year, not a single one has been progressed, We keep getting told that all food and agricultural exports to the Continent and Ireland will be checked at EU ports - but there is nowhere to check them, and the system to check them does not exist."¹⁸

As reported by Reuters on 10th July 2018 the **Civil Aviation Authority** has stepped up planning for a "no deal" disorderly Brexit, identifying how many new staff would be needed and preparing safety systems to take on work now carried out by European authorities. Publishing information on its plans to fulfil functions now delivered by EASA should that become necessary and it would need to cover some of the regulatory processes itself if there is no deal. Stating 'Our preparatory work includes adjusting existing systems so that they could continue to work in exactly the same way as now – but with the UK Government and the CAA fulfilling regulatory functions independently of the EU' and 'As an example, the CAA is creating the capability required for the UK to fulfil State of Design responsibilities independently of EASA should that be needed once the UK leaves the EU'¹⁹.

On the 12th July 2018 the **Freight Transport Association** commenting on the UKG White Paper said it offered encouragement to the industry however there were still areas of concern stating "Of most concern is a lack of clarity over how road transport will be able to operate in the future – a permits system is mentioned in passing, but is really not an option if the thousands of vehicle movements which currently happen to and from the Continent and Ireland are to continue with minimal delays. There is no point in having the most facilitated customs agreement in the world if a permits quota means that trucks cannot move goods freely across borders"²⁰.

As reported on the BBC on 19th July 2018 the **National Audit Office** says up to seven million International Driving Permits could be needed inside a year if the UK and the EU do not agree to mutually recognise licences. UK driving licences are valid in all EU countries, plus Iceland, Liechtenstein, Norway and Switzerland. However unless a specific agreement is reached, UK drivers will need "additional documentation" in Europe after Brexit, the report says²¹.

As reported on KentLive on 19th July 2018 the **National Audit Office** have said there is a "significant risk" the plans for dealing with lorry queues caused by any Brexit border disruption will not be ready on time. The watchdog said plans for the contraflow system on the M20 known as Operation Brock need to be done "at pace" and there are significant "project delivery risks". Operation Brock will replace

¹⁷ <https://www.telegraph.co.uk/news/2018/05/28/britain-open-skies-deal-us-due-summer-negotiators-agree-key/>

¹⁸ <https://fta.co.uk/media/press-releases/2018/june/brexit-britain-on-the-road-to-nowhere-says-fta>

¹⁹ <https://uk.reuters.com/article/uk-britain-eu-aviation/british-aviation-regulator-steps-up-planning-for-disorderly-brexit-idUKKBN1K022K>

²⁰ <https://fta.co.uk/media/press-releases/2018/july/positive-reception-for-brexit-white-paper-from-log>

²¹ <https://www.bbc.co.uk/news/uk-politics-44881058>

Operation Stack as the response to large lorry queues for the Port of Dover and Eurotunnel²².

The Financial Times on 20th July 2018 outlined what would happen if the UK left the EU in a no deal Brexit including the M26 becoming a holding area for up to 1,400 trucks when 10,000 per day may require customs checks, contingencies being prepared on both sides and companies stockpiling food and medicines. **John Manzoni**, the chief executive of civil servants, told MP's on Thursday that a breakdown between the UK and the EU could have some "horrendous consequences" that the UK is not ready to cope with. UKG will start issuing 70 technical notices to businesses and households on how to prepare for a no deal Brexit and 250,000 small businesses will be asked to start making customs declarations as a dry run for a hard Brexit. Whilst businesses have stepped up their own preparations, HMRC have said they are close to being able to cope with a surge of new users in its Customs Declaration Service computer system, would prioritise keeping the flow moving over collecting duties and hired an additional 1,113 of 5,000 proposed new customs officials.

As reported in the Scotsman on 28th July 2018 British ports and shipping companies will need at least three years to set up a new customs system in the event of a no-deal Brexit. New IT systems, infrastructure and training for staff "who have never completed a customs declaration in their life" would all require significant time to put in place, risking major disruption to trade if talks between London and Brussels fail. **Gavin Simmonds the UK Chamber of Shipping** policy director in charge of Brexit, said: "All our scenarios come out with a clear indication that is contrary to what the Prime Minister said, that no-deal is better than a bad deal". Speaking on the 70 Technical papers to be released advising the public on how to cope with a no-deal Brexit Simmonds expects around half of those papers to relate to borders and trade. Speaking on preparations for life after a no-deal Brexit he said "We don't know exactly what the declarations will comprise". Governments in France, Belgium, the Netherlands and Denmark are all preparing their customs systems for a no-deal. He said "Some of those are really quite severe scenarios" and "We're concerned that those aren't really matched up with the effort on the UK side – and they obviously have to be aligned, because there's no point going through one border if you're going to have to be stopped at the next one"²³.

As reported on the BBC on 31st July 2018 an assessment by Dover council has warned a giant 13-mile "lorry park" on the M20 could last for years if there is a no-deal Brexit and expressed concern over how ports would cope with the potential situation. The report sates "It is likely a permanent solution will not be in place for many years if enacted through current planning processes and procedures". Commenting on current customs arrangements "Customs checks on imports from outside the common market can take between five minutes to 45 minutes per vehicle," it added "Port officials have warned that increasing the average time it

²² <https://www.kentlive.news/news/kent-news/significant-risk-operation-brock-not-1805052>

²³ <https://www.scotsman.com/news/politics/shipping-chief-predicts-three-years-of-no-deal-brexit-chaos-1-4775406>

takes to clear customs by as little as two minutes could lead to 17-mile traffic jams"²⁴.

²⁴ <https://www.bbc.co.uk/news/uk-england-kent-45021133>

Minimising administrative arrangements for crossing borders for international freight and logistics (road and maritime and rail-connected ports) and for passenger travel.

UK position –

The UK Government has stated in its position papers that it will prioritise securing the freest and most frictionless trade possible in goods and services between the UK and the EU. However they have also said they will not be seeking membership of the Single Market, or Customs Union which has been reiterated in speeches and comments throughout 2017 and 2018.

On 9th October 2017 the UKG published the white paper for a Customs Bill to replace EU customs legislation and modify elements of the indirect taxes system to allow for the imposition of tariffs etc. The 'Customs Bill' white paper sets out the UK Government approach to legislating for future customs regime and a framework that supports intra-European trade. It also includes how the UK Government would manage leaving the EU without an agreement on customs.

As the rules governing customs are mostly in EU law that is directly applicable in the UK, legislation will need to allow the UK to operate a standalone customs regime on exit, flexibility to accommodate future trade agreements, and future changes to TAX/excise arrangements to accommodate new regimes.

A customs proposal aimed at preventing a hard border between Ireland and Northern Ireland after Brexit was agreed by UKG on 17th May 2018. Ministers signed off on the "backstop" that would see the UK match EU tariffs after 2020, if there is no deal on their preferred customs arrangements. The new proposal is expected to be discussed formally in Brussels next week²⁵.

A National Audit Office report of 28th June 2018 has indicated that customs checks at Britain's borders are on track for Brexit even if there is no deal with Brussels. It said the IT systems should be ready by next month, as HMRC has accelerated preparations and should have the system capacity to handle customs declarations irrespective of the negotiations²⁶.

On 12th July 2018 UKG published its White Paper on 'The future relationship between the United Kingdom and the European Union' the Facilitated Customs Arrangement would see the UK and EU avoid hard borders by being treated as a "combined customs territory". The UK would apply domestic tariffs and trade policies for goods intended for the UK and their EU equivalents for goods heading into the EU. The statement says the new arrangements would prevent a hard Irish border, ensuring the "backstop" elements of the initial withdrawal agreement would not be needed.

On 16th July 2018 the Customs Bill was approved by the House of Commons which gives UKG the power to build new trade relationships around the world after the UK leaves the EU, sets out how the current customs, VAT and excise regimes operate for cross border transactions with a number of amendments. One prevents the UK from collecting taxes on behalf of the EU, unless the rest of the EU does the same

²⁵ [News story on proposal aimed at preventing a hard border between Ireland and Northern Ireland](#)

²⁶ <https://www.nao.org.uk/report/the-customs-declaration-service-a-progress-update/>

for the UK However applying EU tariffs to products destined for the EU is part of UKG's plan to avoid friction at UK borders after Brexit. Further amendments ensure the UK is not in the EU's VAT regime and could make the EU's "backstop" on customs impossible by ruling out a border in the Irish Sea.

EU position

The European Council negotiating guidelines note that the European Council "welcomes the recognition by the British Government that the four freedoms of the Single Market are indivisible and that there can be no "cherry picking".

On preliminary discussions on the future relationship, the European Council notes that it "stands ready to initiate work towards an agreement on trade, to be finalised and concluded once the United Kingdom is no longer a Member State" and that "Any free trade agreement should be balanced, ambitious and wide-ranging. It cannot, however, amount to participation in the Single Market or parts thereof, as this would undermine its integrity and proper functioning. It must ensure a level playing field, notably in terms of competition and state aid, and in this regard encompass safeguards against unfair competitive advantages through, inter alia, tax, social, environmental and regulatory measures and practices".

However, Michel Barnier has said "It is clear that only the combination of the customs union and the rules of the internal market allow this free, 'frictionless' trade between our States. One does not go without the other"

"Customs union agreement without the internal market – as in the case of Turkey – does not allow the free movement of goods either, since it also implies a system of procedures and customs controls, including controls to check compliance with European standards"

At an EU Summit Ireland's Prime Minister Leo Varadkar raised the spectre of a 'no deal' in Brexit talks warning that Britain has yet to propose anything that "remotely approaches" a "workable and legally operable" solution to the Irish border issue. Speaking on 17th May 2018 he said if no "substantial" progress was made ahead of a Brussels summit next month there might be no withdrawal agreement, with Britain crashing out on WTO terms²⁷.

He said ensuring there was no hard border between the Irish Republic and Northern Ireland was 'an absolute red line' for the Irish government. Ireland needed the backstop to be part of the withdrawal agreement without it there will be no withdrawal agreement and no transition period. He expected the UK to table new proposals within weeks but warned Resolving the issue of avoiding a hard border requires more than customs'²⁸.

As reported on the BBC on 18th July 2018 **Ireland's Prime Minister Leo Varadkar** Ireland is stepping up contingency plans for a no-deal with instability in Westminster meaning there was no guarantee that a withdrawal agreement, even if agreed in Brussels, would get passed in London. He said this includes preparing Irish ports and airports for a change in the rules between the UK and Ireland in January 2021. Stating "That involves preparing for and hiring veterinary inspectors to carry out sanitary checks on agricultural products and plant-based products coming in from Britain and

²⁷ [Article in Independent Newspaper](#)

²⁸ [News story Ireland's Prime Minister Leo Varadkar commenting on Irish Border backstop](#)

also customs inspectors" and "We estimate we will have to hire about 1,000 customs and veterinary inspectors to prepare our ports and airports for Brexit." Concerns have been raised that an amendment to the UKG Customs Bill passed in the House of Commons 16th July 2018 making a border in the Irish Sea unlawful will leave the UK Prime Minister unable to deliver a backstop solution for Northern Ireland in the event of no deal²⁹.

STAKEHOLDER VIEWS

The Road Haulage Association has identified three key priorities that will need to be addressed during negotiations:

- Seamless customs through ports and borders (so that supply chains have a high level of reliability).
- Unimpeded access for international road haulage operators in the UK and the EU (that is full access for UK and EU road operators transporting goods to, from and through the UK and the EU.)
- A system that allows lorry drivers to be recruited from outside the UK (including retaining current drivers from the EU, which we estimate to number 60,000).

The Road Haulage Association estimated that current customs systems applied at Dover and the Channel Tunnel would "slow the movement of vehicles by between 20 minutes and 4 hours".³⁰ It also expressed concern that there was insufficient space to handle the volume of traffic requiring customs clearance.

In their April '18 document, 'Scottish Ports: Gateways for Growth', the **British Ports Association (BPA)** noted that shipping is resilient in its nature and should be able to adapt but needs to avoid uncertainty. The paper also notes that priorities for the ports industry include tackling potential challenges on the possible re-introduction of frontier and customs controls on European port routes, environmental policy changes, new trade opportunities, transport infrastructure investment and stimulus, and the impacts and outcomes across the fishing sector. In terms of opportunities the industry feels that the UK Government should look at regulatory frameworks, post-Brexit, with the forthcoming EU Port Services Regulation being of particular concern.

On 31 March 2018, the Times reported Richard Ballantyne, chief executive of the BPA as saying : "In terms of border operations, the impact of leaving the customs union and single market is now fast becoming a 'no deal' scenario for ports³¹. "Indeed, this means that new border controls on UK-EU trade are likely to be

²⁹ <https://www.bbc.co.uk/news/world-europe-44878798>

³⁰ Road Haulage Association, Brexit Policy Paper – [Unimpeded access for international road haulage](#), February 2017, para 6

³¹ <https://www.thetimes.co.uk/article/government-plans-for-brexit-have-ports-braced-for-storm-ngwdd8xcp?shareToken=b7d1bd660c3e60c5242ec6c421ebe2f9>

unavoidable and that delays at certain ports and important trade gateways are a distinct possibility.”

The Scottish Ports Committee’s main immediate concern was the possible recreation of border controls at ports, and the need to protect the current ease and rapidity with which trade goods pass through the ports.

The Financial Times has reported³² James Hookham, deputy chief executive of Britain’s **Freight Transport Association**, as stating “If you add an average of two minutes to customs processing, you get a 17-mile queue [from Dover] almost back to Ashford,” says Mr Hookham. “Another four minutes takes the queue back to Maidstone, six minutes back to the M25, eight minutes and you are up to the Dartford crossing and Essex.”

In Feb 2017 Jim Harra, HMRC Tax Assurance Commissioner and Director General, Customer Strategy and Tax Design told the HoC Treasury Committee that “The key challenge, for example, in ro-ro [roll-on, roll-off] ports, in contrast with container ports, is that in a lot of them there are no port inventory systems in place. Although someone can make a customs declaration to us under CHIEF or CDS, understanding which vehicle the goods are on that that declaration relates to is not possible without those port inventory systems. Therefore, you would rely on much less ideal, much more manual processes to try to manage the risks at the border.” Mr Harra also estimated an increase of 3,000–5,000 officials, based on a “crude extrapolation” from the fivefold rise in the number of customs declarations.

The Confederation of British Industry (CBI) noted in their written evidence to the HoC Treasury Committee that border delays would be “extremely problematic for short life-span goods like food and plants”, and that “delays in the trade in goods also result in pressures on working capital for small businesses, who do not receive payments until goods are received.”

Allie Renison, Head of Europe and Trade Policy at the Institute of Directors, told the HoC Treasury Committee “It has been estimated that, for every extra day that goods sit in customs, it is equivalent to a two per cent to six per cent tariff. It is the uncertainty around knowing how much longer things might have the potential to be held up in goods sectors that the question mark around planning comes from, not so much the idea that they cannot trade on those terms.”

Calais port chiefs have also commented on the need for a frictionless border. Jean-Marc Puissanceau, president-general manager of Port Boulogne Calais, said it had record traffic of 2 million lorries last year. “It is essential for the Port of Calais and its hinterland that this traffic flow is maintained,” he said.³³

In their April ’18 document ‘Smooth operations: an A-Z of the EU rules that matter for the economy’, the **Confederation of British Industry** notes the views of business are clear. Mutual market access for UK and EU rail companies to provide rail services will require continued equivalence with many EU rules on railways, and negotiating continued equivalence between UK and EU rules on the training of train drivers would allow the mutual recognition of qualifications and access to a wider pool of talent³⁴.

³² <https://www.ft.com/content/7ff7c97c-b33c-11e7-a398-73d59db9e399>

³³ https://www.theguardian.com/uk-news/2018/jan/09/record-number-of-lorries-using-dover-port-raises-fears-of-brexit-delays?CMP=share_btn_link

³⁴ [Smooth operations: an A-Z of the EU rules that matter for the economy](#)

Rotterdam the port handling 40 million tonnes of UK trade in goods annually is stalling on investments in Brexit infrastructure. Mark Dijk the **Rotterdam Port Head of External Affairs** commented certainty was needed on the customs union issue, fearful that Brexit paperwork at the port could lead to five-mile queues of trucks on its doorstep³⁵.

Bart Jan Koopman of the Dutch Shippers and Exporters Organisation, Evofenedex, told MPs in the Netherlands parliament that British preparations are far from the level of the Dutch and underestimation also applies to other EU countries ²⁴.

Roel van't Veld the **Dutch Ministry of Finance's Brexit and Customs Adviser** said trading between the UK and Rotterdam will be as trading with a Third Country outside the EU stating ' We have 35,000 companies trading with the UK who have no knowledge of customs. They are not known in our system'³⁶.

As reported in the Times on 3rd June 2018 Whitehall has begun contingency planning for the port of Dover to collapse "on day one" if Britain crashes out of the EU, leading to critical shortages of supplies. Officials in DExEU and the departments of health and transport drew up scenarios for a no-deal Brexit — a mild one, a severe one and one dubbed "Armageddon". A source said: 'In the second scenario, not even the worst, the port of Dover will collapse on day one'. A spokesman for the Brexit department confirmed the discussions had taken place, but said it was "completely false" that the doomsday scenario would unfold: 'A significant amount of work and decision-making has gone into our no-deal plans, especially where it relates to ports, and we know that none of this would come to pass'³⁷.

As reported on EUReferendum.com on 3rd June 2018 unless the UK has a transition agreement on the 29th March 2019 UK fishermen will be unable to export to the EU at all. The UK will become a third country and exports to the EU of any "food of animal origin" from a "third country" are "prohibited unless certain requirements are met". What this amounts to is that, before the UK are able to sell fish to the EU, they will have to agree a fisheries management plan with the Commission.

On the 5th June 2018 the **Freight Transport Association** made a statement that its confidence in Government's ability to deliver a 'frictionless' Brexit that will 'Keep Britain Trading' with the EU is fast collapsing. James Hookham, the organisation's Deputy Chief Executive explained the lack of progress on the industry's key demands of government for a trade agreement, means that those in the industry charged with maintaining the country's supply chain after Brexit are left with no means by which to operate effectively. He said "Of the eight demands made in FTA's list of essentials to 'Keep Britain Trading' issued at the beginning of the year, not a single one has been progressed, we keep getting told that all food and agricultural exports to the Continent and Ireland will be checked at EU ports - but there is nowhere to check them, and the system to check them does not exist"³⁸.

As reported in the Financial Times on 5th June 2018 **John Keefe, public affairs director of Getlink, the company which runs the Channel tunnel**, warned against any solution that did not involve smart border technology away from the congested

³⁵ <https://www.theguardian.com/world/2018/apr/27/port-of-rotterdam-infrastructure-plans-stall-amid-brexit-uncertainty>

³⁶ <https://www.theguardian.com/world/2018/apr/27/port-of-rotterdam-infrastructure-plans-stall-amid-brexit-uncertainty>

³⁷ <https://www.thetimes.co.uk/article/revealed-plans-for-doomsday-no-deal-brexit-02mld2jg2>

³⁸ <https://fta.co.uk/media/press-releases/2018/june/brexit-britain-on-the-road-to-nowhere-says-fta>

area of Dover, which he said was ‘essential to ensuring that frictionless trade can be maintained’. ‘Delivering this level of sophistication will be a complex and lengthy process and it is already too late to envisage it being in place in March 2019’³⁹.

As reported in the Financial Times on 5th June 2018 **Benoit Rochet, deputy chief executive of the Port of Calais**, said that any new restrictions on truck drivers’ permits to drive lorries on either side of the channel ‘could be very painful for the traffic’⁴⁰.

Joachim Coens, chief executive of the Port of Zeebrugge, said that his port had introduced digital technology for non-EU trade which had accelerated clearances, but leaving the single market would inevitably lead to more checks. ‘If you have to add checks and controls . . . somebody has to pay and wait longer — it means a cost for them’⁴¹.

The British Ports Association commenting on UKG’s temporary customs ‘backstop’ proposal on 7th June 2018 said “This arrangement will give ports and freight operators a measure of short-term certainty. It is now essential that Government makes progress on our long-term customs and other border arrangements. There is still an urgent need for clarity on non-customs checks, which account for three-quarters of border stoppages. These have the potential to cause huge disruption”⁴².

On 3rd July 2018 the **Road Haulage Association** speaking after a new IT system caused long delays at the Port of Felixstowe “What’s happened at Felixstowe is a stark warning to politicians about the dangers to the supply chain over delays at ports. The 16 hour delays we’ve seen here are a drop in the ocean compared to the chaos we face without free flowing borders after Brexit – devastating the supply chain and the British economy. It’s a wake-up call to the Government”⁴³.”

On the 12th July 2018 the **British Ports Association** welcomed UKG’s White Paper stating “It is clear that the Government has listened to businesses and ports as the revised Facilitated Customs Arrangement proposal will preserve the present free flowing of trade between the UK and the EU. If agreed, this concept would avoid the need for customs and other frontier checks and would ensure that borders remain fluid. It would therefore address the concerns about queues and congestion at ports. We understand there will be challenges for other parts of the logistics industry to overcome but we welcome the Prime Minister’s aspirations to find a trade friendly Brexit deal”⁴⁴.”

On 12th July 2018 the British Chambers of Commerce following publication of the UKG White Paper maintained 22 'red-rated' and 2 'amber-rated' issues on its Business Brexit Risk Register, which brings together the 24 top questions being asked by businesses across the UK. Whilst urging UKG to step up preparations for all eventualities - including 'no deal' scenarios to ensure that

³⁹ <https://www.ft.com/content/5631e0f2-68bb-11e8-b6eb-4acfcfb08c11>

⁴⁰ <https://www.ft.com/content/5631e0f2-68bb-11e8-b6eb-4acfcfb08c11>

⁴¹ <https://www.ft.com/content/5631e0f2-68bb-11e8-b6eb-4acfcfb08c11>

⁴² <https://www.britishports.org.uk/news/british-ports-comments-on-customs-backstop>

⁴³ <https://www.rha.uk.net/news/press-releases/2018-07-july/rha-warns-chaos-at-felixstowe-is-the-shape-of-things-to-come-for-brexit>

⁴⁴ <https://www.britishports.org.uk/news/british-ports-association-welcomes-trade-facilitation-focus-of-brexit-white-paper>

businesses have clarity on how the UK would operate its borders, immigration system and regulations in the event of a breakdown in negotiations. Stating “Firms need clear guidance from the UK government on preparations for all eventualities, so that they know how critical systems and borders would operate in the unwelcome scenario where a comprehensive deal cannot be reached⁴⁵.”

On 12th July 2018 **Carolyn Fairbairn, CBI Director** stated ‘The Brexit White Paper reflects much of the evidence that business has been highlighting since the referendum. This direction is welcome - protecting jobs and investment now and in future should be the guiding star for both sets of negotiators. Many of the intentions are reassuring. Seeking a free trade area for goods and a common rule book shows the Prime Minister has put pragmatism before politics and should be applauded’. Commenting further details were needed she said ‘There are gaps in these proposals and more detail is needed on EU VAT, some services sectors and the new customs system. It will be a make-or-break summer. It's vitally important UK negotiators get their heads down and work with businesses to grapple with the detail and get it right. With three months left to go, it is now a race against time. The EU must now engage constructively and flexibly, as must politicians from all UK parties. This is a matter of national interest. There's not a day to lose⁴⁶.’

On 17th July 2018 **Xavier Bertrand, a former French minister and president of Hauts-de-France** warned Dover and Calais are facing “economic catastrophe” because of Brexit, and both the UK and the EU are allowing the two ports to drift towards disaster. He believes the challenge facing the ports and Eurotunnel, which are used by 16,000 trucks a day, is just as important as the Irish border, yet does not get the same attention. Stating “If there are delays of two minutes there will be queues of 27km on both sides – that’s 54km [34 miles]. Even at the moment you see queues of 1km to the tunnel – and that is where there are no checks. Imagine what it will be like with checks,” In the absence of advanced planning on the British side, he revealed that Calais was prepared to solve the problem of space for checks in Dover. It has already brought 17 hectares (42 acres) of land, which could house inspection posts for sanitary checks and logistics warehouses. France is planning to recruit 700 new customs officials, some of whom will be in Calais. Calais also wants to test a new “Fastpass” virtual queuing system which will allow passengers and hauliers to preload passport information and cargo information along with their ferry and tunnel booking. It is estimated this could enable 500 passengers an hour to be waved through border controls⁴⁷.

As reported on Sky News on 24th July 2018 contingency plans are being developed to prevent lorries being stopped between the EU and British border, amid fears of queues and gridlock at ports such as Dover and Felixstowe. Notes seen from a meeting of Joint Customs Consultative Committee (JCCC) would mean vehicles would be checked at an "approved location" in Europe and then waved through the UK border. They would then have to go to an "approved inland location" in the UK, away from the port of entry, to be checked again. However, the same plan shows the confusion that exists around the future of the Irish border, with a suggestion that in

⁴⁵ <https://www.britishchambers.org.uk/news/2018/07/bcc-on-brexit-white-paper-time-to-translate-ambition-into-answers-for-business>

⁴⁶ <http://www.cbi.org.uk/news/protecting-jobs-and-investment-should-be-the-guiding-star/>

⁴⁷ <https://www.theguardian.com/politics/2018/jul/17/dover-calais-facing-economic-catastrophe-due-to-brexit>

the event of a "no deal" Brexit, there may be no choice but to persist with today's regulations and "pick up the pieces later"⁴⁸.

On 30th July 2018 the **Road Haulage Association** released a press statement titled 'Brexit – time for politics to grow up, the reality of 30 March no deal' calling on the UK and EU to take pragmatic responses on the issues. They commented on EU/UK citizens' rights calling for the UK and EU to immediately finalise arrangements on the rights of those who have moved between the UK and EU. On Customs arrangements they raised serious concerns that each lorry entering the UK would require 90 minutes for import/export processes, no UK ferry port has the facilities to process the additional work and insufficient customs agents or customs officers. Stating 'Without decisive action the RHA believes that Kent and the area around Calais will become the world's largest lorry park within 2 days'. On the Licensing of international road haulage (permits) they raised serious concerns that without a new arrangement, each lorry moving between the UK and EU will require an ECMT permit which has a limit in the number allocated to each country. EU operators may be unwilling to invest the resources required to move goods to, from or through the UK, and UK operators unable to fill the gap. Stating 'We call for an agreement that will allow lorries to move goods being transported by road between and through EU and UK territory with a single licence or permit that is unlimited by quota'⁴⁹.

On 3rd August 2018 Duncan Buchanan Policy Director of the **Road Haulage Association** tweeted 'Operation Brock has space for 2,000 lorries. The delays of 2015 caused a backlog of 7,000. Politicians need to start working on the real and pragmatic problems. Ferry ports (and NI) are the monster #freight problems'⁵⁰.

As reported in the Financial Times on 8th August 2018 the Rail Delivery Group said Customs areas should be set up at rail freight terminals around the UK, rather than at the mouth of the Channel tunnel, to prevent delays after Brexit. The Rail Delivery Group said creating railway customs areas (RCAs) at rail freight terminals "would avoid the need for a single border checkpoint" and would prevent "significant congestion and delays which would disrupt trading and business supply chains"⁵¹.

⁴⁸ <https://news.sky.com/story/businesses-step-up-plans-to-avoid-gridlocked-ports-after-brexit-11446979>

⁴⁹ <https://www.rha.uk.net/getmedia/c98d0219-fcf7-434e-b9cd-51f2ff0c316c/180730-Brexit-pull-your-finger-out-final.pdf.aspx>

⁵⁰ <https://twitter.com/RHADuncanB/status/1025412593987608577>

⁵¹ [https://www.ft.com/content/87ad9084-9a31-11e8-9702-](https://www.ft.com/content/87ad9084-9a31-11e8-9702-5946bae86e6d?accessToken=zWAAWUY_O6QkdOHrZCEmjER6NOXAllGuuhubQ.MEYCIQDbDGcY-KXMyJIbB2woYDsdE1J1HokyNgF-P8j3eLaxglhAOyv6INp9aHLcFrGK4HHR2_3e6QM0WXeeJWO9cBKdLI&sharetype=gift)

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Movement of people

UK position

In Sept 2017 a leaked Home Office document leaked to the Guardian⁵² suggested that the UK would seek to end the free movement of labour immediately after Brexit, and introduce restrictions to deter all but highly-skilled EU workers.

On 12th July 2018 UKG published its White Paper on 'The future relationship between the United Kingdom and the European Union'. The paper states that it will end Freedom of movement for EU nationals to be replaced by a 'Mobility Framework' allowing EU and UK nationals to travel to each other's territories and apply to study and work. It stops short of the free movement of people, but says EU citizens will still be able to come to the UK without visas for "paid work in limited and clearly defined circumstances.

EU position

The European Council negotiating guidelines note that the European Council "welcomes the recognition by the British Government that the four freedoms of the Single Market are indivisible and that there can be no "cherry picking".

On preliminary discussions on the future relationship, the European Council notes that it "stands ready to initiate work towards an agreement on trade, to be finalised and concluded once the United Kingdom is no longer a Member State" and that "Any free trade agreement should be balanced, ambitious and wide-ranging. It cannot, however, amount to participation in the Single Market or parts thereof, as this would undermine its integrity and proper functioning. It must ensure a level playing field, notably in terms of competition and state aid, and in this regard encompass safeguards against unfair competitive advantages through, inter alia, tax, social, environmental and regulatory measures and practices".

STAKEHOLDER VIEWS

The Chartered Institute of Logistics and Transport has provided the DfT with advice on the implications of Brexit including securing skills and labour.

Confederation of Passenger Transport has said that it will continue to "fight for open market access and for the on-going freedom of movement and freedom of travel". It has also stated that it is having difficulties in recruiting staff from other member states, who fear that they will be "sent home" before the end of their probationary period.

The Road Haulage Association has identified three key priorities that will need to be addressed during negotiations, one of which is:

A system that allows lorry drivers to be recruited from outside the UK (including retaining current drivers from the EU, which we estimate to number 60,000).

⁵² <https://www.theguardian.com/uk-news/2017/sep/05/leaked-document-reveals-uk-brexit-plan-to-deter-eu-immigrants>

Freight Transport Association

FTA have produced their 'ABC' list for Brexit that includes:

- a. Access to the Single Market:
- b. Border Controls
- c. Customs arrangements
- d. Domestic legislation
- e. Enforcement of cross border traffic
- f. Fuel Duty
- g. Global Markets
- h. Heathrow
- i. Ireland

James Hookham, deputy chief executive of Britain's **Freight Transport Association** gave evidence to HoL Select Committee on the European Union on 19 April 2018. Mr Hookham said the current mutual recognition of driver qualifications will lapse upon Brexit, needs to be reinstated ensuring cleared goods and permitted lorries can be driven to their destination in the rest of the EU⁵³.

As reported in The Independent on 30th May the **European Parliament** passed a new law that will end the conflation of free movement of people with the undercutting of local workers by EU migrants. Thus far, exploitative employers have been able to take advantage of out of date legislation regarding so-called "posted workers" – when an employee from one EU member state is sent by their employer to carry out a service in another temporarily. Despite obligations for employers to pay workers the minimum wage of the country in which they are working, loopholes in the legislation and enforcement have allowed undercutting, including the deduction from wages for travel and accommodation. Workers hired locally would normally be entitled to allowances to cover these costs as well as higher rates of pay now employers will be obliged to offer equal pay from the start of the posting, as well as the same allowances and reimbursement for travel and accommodation costs. EU member states have two years to implement the new rules⁵⁴.

On the 5th June 2018 the **Freight Transport Association** made a statement in which James Hookham, the organisation's Deputy Chief Executive said 'We still don't know if we will be able to employ the 43,000 truck drivers in the UK that are nationals from another member state – that's 13% of our driver workforce! There is no clarification on whether UK drivers' qualifications are to be recognised, so they could well be barred from driving their own vehicles on the Continent. "But the real show stopper is that, under European law, unless an agreement is reached, there will only be 103 international haulage Permits to cover the 300,000 journeys made by British trucks to Europe each year. The logistics industry is being asked to decide

⁵³ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/eu-external-affairs-subcommittee/brexit-customs-arrangements/oral/81947.html>

⁵⁴ <https://www.independent.co.uk/voices/eu-brexit-uk-labour-laws-migrant-workers-a8375836.html>

who would get a Permit to drive if there are not enough to go around – in effect, being asked to destroy the businesses of its international haulage members⁵⁵.

On 20th June 2018 the **Freight Transport Association** issued a warning to UKG - give us the information we need to keep the nation's trade moving efficiently post-Brexit or face delays and shortages of the products and services the UK relies on. He said "Without knowing who we will be employing, how we will be crossing borders, what certifications and permits goods and vehicles will require in order to travel, business as we know it will be unable to continue. The logistics industry will be the first part of the economy to encounter the realities of Brexit when vehicles drive off the first ferry to arrive in Calais on 30 March 2019 and we want things to go smoothly, but we need more information about the trading conditions we are to expect once the UK leaves the EU. The time for talking is over – it's now time to act." In addition to the confirmation of the status of EU workers and the permits required for both vehicles and freight travelling to and from the Continent the FTA reiterated its calls for clarity on the continued mutual recognition of vocational driving licences and competency certificates, as well as the number of vehicle permits which will be available to enable vehicles to cross the Channel⁵⁶.

On the 12th July 2018 the **Freight Transport Association** commenting on the UKG White Paper said it offered encouragement to the industry however there were still areas of concern stating "The paper needs to provide more clarity on the status of skilled EU workers after Brexit – with more than 45,000 HGV drivers from Europe currently working in the UK, loss of their working status would leave the industry severely exposed. The framework for the mobility of workers between the UK and EU needs more detailed explanation, to provide reassurance to employers and those relying on continuity of deliveries for the resilience of their own businesses⁵⁷."

⁵⁵ <https://fta.co.uk/media/press-releases/2018/june/brexit-britain-on-the-road-to-nowhere-says-fta>

⁵⁶ <https://fta.co.uk/government-provide-tools-keep-britain-trading>

⁵⁷ <https://fta.co.uk/media/press-releases/2018/july/positive-reception-for-brexit-white-paper-from-log>

Transport – Post EU referendum – background

Transport Priorities

Short term:

- Protect financial support to lifeline ferry services
- Protect current air services/flexibility for growth
- Input on EU shipping legislation
- Potential loss of European Funding sources e.g. EIB
- Economic impact as transport demand is directly related to economy
- Freedom of trade – (applicable to freight, ports, shipping etc)
- Maintain flexibility for Scotland in exercising our devolved rail powers to suit our network

Long term:

- Access to single market and labour markets (free movement and contribution made by EU nationals to national infrastructure projects – smaller pool of staff to cover same level of activity may lead to wage inflation and increase costs of projects)
- Environmental/Climate change protection
- Procurement legislation – UK/SG legislation goes further than EU but impact could be felt given future uncertainty.
- Minimal/no additional legislation for freight/ports and minimise administrative burden to ensure against additional delays/cost
- Impact of no longer having The European System of National and Regional Accounts (ESA 2010) EU accounting framework e.g. ESA 2010 was a key consideration in the reclassification of Network Rail
- Non-availability of European funding streams e.g. ERDF
- Protect ability to influence vertical legislation/regulations (which affect the structure and delivery of railway services)
- Retention of future ability to easily access non-UK infrastructure (freight and passenger operators who run international services)
- Protect safety and not import safety risk (rail safety is mainly reserved to UKG but still a key principle)

Single Market / EU Key points:

Single market: SG Preference is that the whole of the UK should retain membership of the single market in all its aspects - trade, movement of people and protection of rights - and close cooperation with EU partners on for example justice and research.

The single market guarantees freedom of movement of goods, services, capital and people. Being able to buy and sell our products freely, to travel freely for work or leisure and to enjoy the highest social and environmental standards are all critical to our future.

The 'Single Market' refers to the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods,

Transport Scotland

services, persons and capital, which involves harmonising, or ensuring mutual recognition of, member-state regulation.

With free movement of goods and services, the single market goes beyond any 'free trade area' or 'free trade agreement' and tackles non-tariff trade barriers such as licensing and other regulatory barriers to trade, which are particularly important for services.

The SG intends to publish its proposition on the best way forward in the next few weeks.

Options: The SG is exploring all options to secure Scotland's interests, and to protect its relationship with the EU and our place in the single market. As part of this, the Scottish Government is currently undertaking a range of analyses to understand the potential implications of the UK exiting the EU across various policy areas and scenarios.

[Redacted]

Date Updated/Reviewed: 29 November 2016

Implications of the Outcome of the EU Referendum for Scotland – Transport

1. Overview

- 1.1. The EU's Common Transport Policy has resulted in action in a number of policy areas including: creation of a single market in transport services; promotion of high safety standards, security, passenger and workers' rights; ensuring transport does not negatively impact on the environment; Trans-European Networks (involving the interconnection and interoperability of national networks as well as access to such networks); and allowing the EU to act collectively at an international level. These are all outcomes that have brought significant economic, social and environmental benefits to Scotland which need to be protected.
- 1.2. The success of the transport sector is intrinsically linked to the success or otherwise of the overall economy. Therefore the immediate impact of Brexit on UK transport companies operating in the aviation, logistics, shipping, rail and bus sectors will be economic uncertainty, particularly until the precise terms are agreed. Moreover, any damage inflicted on the Scottish economy from leaving the European Union is likely to have a knock-on effect on transport operator revenues and the amount of public funding available to invest in transport.
- 1.3. Of particular importance to the transport sector is access to the Single Market and Customs Union. The following areas have been identified where the UK's withdrawal from the Single Market and Customs Union could negatively impact on the transport sector:
 - Physical access to European markets,
 - Additional administrative delays at border crossings for people and goods,
 - Access to EU workforce for transport operators and infrastructure projects,
 - Access to European Investment Bank (EIB) funding,
 - Our ability to influence the development of EU regulatory regimes and standards.
- 1.4. Some additional detail on each of these areas has been provided in the sections below.

2. Physical Access to European markets for transport operators

- 2.1. Membership of the EU has allowed the Scottish transport sector to benefit from the four freedoms of the Single Market; the free movement of goods, services, capital, and people. As well as access to a market of 500 million people it also provides the right of cabotage to transport operators e.g. the ability to fly intra-Europe flights which do not start or end in the UK, or the

ability for a road hauliers from one member state to operate in other member states.

- 2.2. In 2015, approximately 234,000 tonnes of goods were exported from Scotland by road haulage to EU countries, with approximately 41% going to France and 21% to The Netherlands as the two predominant destinations. While this amount is relatively small compared to the 17 million tonnes of goods leaving Scotland to the rest of the UK, many of the goods destined for international export are from key growth sectors of the Scottish economy such as food and drink.
- 2.3. Without continued membership of the Single Market it is not clear whether Scottish road haulage companies would still be able to operate without restriction on the continent. EU hauliers would also stand to lose their cabotage rights within the UK making it more difficult for these hauliers to contribute to the efficient transport of Scottish goods.
- 2.4. Within aviation, the UK, and by extension Scotland, is currently a member of the European Common Aviation Area (ECAA) and European Aviation Safety Agency (EASA). The ECAA is the world's most liberalised aviation market and has negotiated agreements with 17 non-ECAA countries giving Scottish airlines liberalised access to 44 countries and accounting for 85% of UK's international air traffic.
- 2.5. This single aviation market has helped to break down restrictive trade and operating barriers, allowed new business models to emerge and revolutionised the way people travel across Europe.
- 2.6. The EU is already the largest international destination for Scottish passengers, of the 12.1 million international air passenger journeys from Scottish airports in 2015, 9.6 million were to other EU countries, with the predominant destinations being Spain, The Netherlands and Ireland. Continued access to this liberalised regime will therefore be vital to allow Scottish airports to maintain direct flights to European airports and expand Scotland's route network.
- 2.7. However, the EU Commission has warned flight operators that leaving the EU means that UK air carriers would no longer enjoy traffic rights under any air transport agreement to which the EU is a party. This means that the legal framework for flights to the EU or between its member states under the right of cabotage would disappear. They would also lose their flying rights under agreements the EU has negotiated on behalf of its members with third countries, the most important of which is the EU-US Open Skies Agreement that enables any EU or US airline to fly any transatlantic route.
- 2.8. As there is no World Trade Organisation (WTO) Agreement for aviation to fall back upon this heightens the uncertainty for the industry. It is still not clear whether the UK will seek to remain a member of the ECAA post-Brexit, and if not, what alternative arrangements it will seek. The resulting uncertainty is particularly acute for the aviation industry as airline operators would typically look to plan their schedules up to a year in advance.

3. Additional administrative delays at border crossings for people and goods

- 3.1. Goods from out with the EU Customs Union, once cleared by customs in one Member State, can move freely within the EU on the basis that all Member States apply the same rules at external borders (tariffs, quotas and product regulations and standards). As a result, customs checks are largely absent and there are no customs duties levied on goods travelling within the EU Customs Union.
- 3.2. Any new, additional customs arrangements as a result of leaving the EU would therefore cause additional delays at border crossings. These delays could disproportionality impact Scottish logistics, freight and shipping services given the peripheral geographical locations of some of these.
- 3.3. For example, the capacity and operations at the port of Dover are crucial for Scotland's real-time delivery systems. It is estimated that 80% of Scottish seafood exports to Europe are through the distribution centre in Boulogne Sur Mer. Deliveries have to be transported from coastal areas in Scotland to the distribution centre via the Port of Dover in order to arrive on-time the following day. There is very little capacity for delays in this journey and should the produce arrive late for onward distribution it would lose a great deal of its value.
- 3.4. The Scottish maritime industry would also look to retain access to the Single Market and Customs Union. The removal of customs controls has allowed for significant increases in port capacity as lorries are able to drive straight through to the terminals, rather than having to await permission from customs. Any additional border or clearance procedures for containerised freight as a result of withdrawal from the EU would risks undermining these benefits and could create serious capacity problems in the busiest ports, such as Dover.
- 3.5. In addition, if some form of customs controls were to be reintroduced transport operators with no experience of EU customs declarations for the past 24 years would likely need time to familiarise themselves with any new processes.

4. Access to EU workforce for transport operators and infrastructure projects

- 4.1. As with other sectors of the economy, transport benefits from access to EU labour and the free movement of people through membership of the Single Market. This is of particular importance to the road haulage and bus sectors which have a reliance on drivers from EU countries and are already facing driver shortages.
- 4.2. In 2015 the Freight Transport Association (FTA) and Road Haulage Association (RHA) estimated that there was a shortage of 43,000 to 45,000 drivers respectively (UK figures). If leaving the EU ends the freedom of movement for people this will likely get significantly worse, with haulage operators finding it more difficult to recruit EU drivers to address shortages.
- 4.3. The construction industry supply chain is also dependent on the freedom of movement for the supply of workforce. Continued access to the EU workforce is likely to be necessary in order to have sufficient skilled workers

within the construction industry to deliver major transport infrastructure projects.

- 4.4. On the Forth Replacement Crossing there were workers from 32 different countries, although 84% of the directly employed workforce had homes in Scotland. A particular area for which it proved difficult to get UK workers was welding – where the Contractor, FCBC, sourced mainly from Eastern European countries – Slovakia, Slovenia and Czech republic. Portuguese workers were also used for most of the concrete in-situ works on the south approach viaduct after launching.
- 4.5. Around 39% of the workforce employed as part of the M8 M73 M74 Motorway Improvements Project were non-British EU nationals. There were 413 non-British EU nationals out of 1,051 employees working on the project (based on a snapshot in time during August 2016 which is believed to be a reasonably accurate representation of the situation during the project).
- 4.6. This dependency is likely to continue as we look to deliver future major transport infrastructure projects like the ambitious A9 and A96 Dualling Programmes.

5. Access to European Investment Bank (EIB) funding

- 5.1. Since the UK became a shareholder in 1973, the European Investment Bank (EIB) has heavily invested in the UK in a variety of sectors including transport.
- 5.2. It will be for the UK Government to negotiate any future relationship with the EIB after withdrawal and unless an agreement is reached there will be no further access to EIB funding for the UK. This is a significant concern in view of the importance of EIB lending to projects in Scotland. Without access to this funding finance is likely still to be available, via other banks, but at a higher cost.
- 5.3. In Scotland the EIB is providing Senior Debt Funding for a number of major transport infrastructure projects including major loans for the M8 M73 M74 Motorway Improvements project and the Aberdeen Western Peripheral Route.

6. Our ability to influence the development of EU regulatory regimes and standards

- 6.1. Regulation is necessary to protect our people, our environment, and to help businesses flourish. The protections provided through regulations should not be eroded. EU consumer protection legislation guarantees consumers fair treatment, products which meet acceptable safety and quality standards, and rights of redress if something goes wrong.
- 6.2. European technical and regulatory standards apply across all transport modes including vehicle standards for motor vehicles, safety standards for aviation, maritime regulations and Technical Standards of Interoperability (TSIs) for rail.

- 6.3. To continue operating services to other EU countries following withdrawal, Scotland would likely need to continue to align with these technical and regulatory standards.
- 6.4. Beyond continued operation of services there are other reasons why Scotland may wish to continue aligning with European standards following withdrawal from the EU. For example, it will likely be desirable to continue applying TSIs relating to rolling stock in rail due to the nature of the supply chain. It would be very difficult to source a rolling stock manufacturer who produced anything other than TSI compliant rolling stock.
- 6.5. Another example is the work on Building Scotland's Low Emission Zones, where there is a need to work with Europe on alignment of enforcement standards, and a common database of vehicles.
- 6.6. Therefore the main issue will be how the UK, and by extension Scotland, can continue to influence the development of these standards. With a need to negotiate continued involvement in bodies such as the European Railways Agency, European Air Safety Agency (EASA) and European Maritime Safety Agency.



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Department for Transport
Great Minster House
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SW1P 4DR

Our ref: A21303343

15 June 2018

Dear Jesse,

Thank you for your letter received on 5 June enclosing a copy of your consultation paper for the Haulage Permits and Trailer Registration Bill. I am grateful for the opportunity to comment.

Firstly, I would remind you that Scotland voted clearly and decisively to remain within the European Union and we have demonstrated that this is the best option for Scotland's future. Where this is not possible I believe that the interests of the road haulage industry would be best protected through continued membership of the European Single Market and Customs Union. This should allow continued access to the EU's Community License system rather than relying on a limited number of ECMT permits, or indeed any other permit system that could be agreed during EU exit negotiations, which is likely to be more restrictive.

In respect of the economic benefit principle, I would highlight the example of the movement of fresh seafood from Scotland to their market in Boulogne-sur-Mer (BSM) (BSM is the main seafood distribution hub for Europe and it is estimated that it handles 80% of all Scottish seafood exports to Europe). The current export customer ordering practice in the seafood sector is "Day 1 order for Day 2 delivery". Processors accept orders from customers as late as 4pm on Day 1 and are still expected to deliver to Boulogne-sur-Mer by 07:00 local time the following morning. Consequently, such time constraints mean that the only viable route is by road, via Dover-Calais.

Any permit allocation system that is weighted too far towards "expected permit usage" could potentially disadvantage Scottish operators, given the small number of journeys made to mainland Europe by Scottish hauliers compared to their UK counterparts. However, continuing the example of the fresh fish and shellfish sector, while the economic contribution is relatively small in a UK context, its importance to many of Scotland's coastal communities

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is enormous. I would welcome assurances that equal consideration is also given to the importance to specific sectors and local communities, not only the contribution to the UK Exchequer.

While the Scottish Government is seeking to improve the emissions standards of the Scottish haulage fleet, I am conscious that the Scottish haulage industry is predominantly made up of SMEs for whom upgrading their vehicles to Euro VI is particularly challenging. Consequently, I have concerns that there may be a smaller pool of available permits for these businesses, or potentially none at all if only Euro VI permits are made available.

Similarly, to minimise any administration burden on hauliers, particularly smaller companies, I am keen to ensure that both the permit and trailer registration schemes are streamlined as much as possible. Clarity regarding both schemes needs to be provided to industry well in advance to allow them to prepare.

Subject to these assurances, I am content with the proposals contained in your consultation document.

Best wishes,
H. Yousof
HUMZA YOUSAF

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Road Safety and Accessibility Unit – Brexit implications

Road Safety in Scotland

Scotland's Road Safety Framework to 2020 was written in 2009 and contains an ultimate vision where there are no fatalities on Scotland's roads. It is underpinned by challenging casualty reduction targets for deaths and serious injuries and contains 96 commitments.

Role of EU currently on Road Safety

The EU currently sets strategic direction for casualty reduction across EU member states. In 2010 a target of a 50% reduction in road deaths by 2020 was set. A target of halving the number of serious injuries on roads in the EU by 2030 from the 2020 baseline is expected to be set later this year.

Some of the main areas of European Union legislation that currently apply to the UK in the field of road safety include:

- minimum vehicle safety standards for new vehicles (covering requirements such as seatbelts, electronic stability control and crash protection standards – EURONCAP testing is currently conducted the UK by Thatcham Research in Berkshire.
- social and safety rules for international transport services, such as working time restrictions for long distance lorry drivers;
- infrastructure safety standards for major roads and tunnels;
- cross-border enforcement of traffic offences enabling member states to enforce traffic penalties for offences such as speeding, committed by non-residents that came into force in the UK earlier this year.

[redacted]

Transport Accessibility in Scotland

Scotland's first ever Accessible Travel Framework launched in September 2016 and sets out a vision that 'all disabled people can travel with the same freedom, choice, dignity and opportunity as other citizens'. The vision is supported by 4 outcomes and 48 actions which were agreed by disabled people, their representatives and people who work in transport.

Role of EU currently on Accessibility

The powers to improve transport accessibility mainly sit at either UK or Scottish Government rather than EU level. However, technical standards for vehicle and vessel design, baseline staff training requirements, and passenger rights legislation (including rights to special assistance) are an EU matter. These measures have brought about important reforms. There is a proposed cross-sectoral directive on accessibility being considered by the Council Working Party on Social Questions. There are reciprocal arrangements at EU level for use of blue badges in other EU countries.

Aviation agreements

The basis of international aviation is bilateral air services agreements. There is no WTO agreement to fall back on.

There are 9 freedoms of the air which are the basis for international aviation. Different freedoms apply under different conventions, with the European Common Aviation Area having all 9.

	Freedom of the Air	ECAA	New “open skies” [probably]	Chicago Convention
1	Flying over a foreign country (FC) without landing	Yes	Yes	Yes
2	Refuel or carry out maintenance in a FC without embarking or disembarking passengers or cargo	Yes	Yes	Yes
3	Fly from home country (HC) and land in FC	Yes	Yes	Yes
4	Fly from FC and land in HC	Yes	Yes	Yes
5	Fly from HC to FC stopping in another FC on the way	Yes	Yes	Yes
6	Fly from FC to another FC stopping in HC on the way	Yes	Yes	No
7	Fly from FC to another FC without stopping in HC	Yes	No	No
8	Fly from HC to FC, then on to another destination within same FC	Yes	Yes	No
9	Fly internally within a FC	Yes	No	No

European Common Aviation Area (ECAA)

ECAA is the world's most liberalised aviation market.

Created in 2006 as an extension to the Single Aviation Market, overseen by the European Aviation Safety Agency, with its legislation enforced by the European Court of Justice (ECJ).

The ECAA has negotiated agreements with 17 non-ECAA countries so UK has access to 44 countries, accounting for 85% of Britain's international air traffic.

Brexit

Britain will automatically leave the ECAA along with all EU-negotiated agreements, as a result of Brexit.

British airlines will no longer be under the jurisdiction of the ECJ or EASA.

Other bilateral agreements the UK has with third countries may need renegotiation as many refer to EU law and institutions.

Five options:

- 1 - Negotiate to re-join ECAA as non-EU member. Would require unanimous support of each Member State (MS). But Spain likely to veto any deal that includes Gibraltar's international airport. Also membership requires ECJ.
- 2 – Strike a Switzerland-style deal through bilateral agreement with ECAA. Same problems apply.
- 3 – Negotiate a new “open-skies” agreement. Long and difficult and won't cover all 9 freedoms, also EU airlines are lobbying against this.
- 4 – Bilateral agreements with individual MS. Unclear as to whether this is consistent with EU law, as well as complex and time consuming.

5 – fall back on old aviation agreements. Outdated and based on the 1944 Convention on International Civil Aviation (Chicago Convention). Also only covers first 5 freedoms.

Civil Aviation Authority would take on role of regulator for UK airlines, and there is no guarantee that international aviation regulators would accept the CAA's regulatory standards.

Dispute resolution

The Multilateral Agreement that was signed on 9/6/06 by EU for ECAA provides for certain disputes to be resolved by the ECJ. However the publication of the UKG paper on enforcement and dispute resolution refers to ECJ's "direct" jurisdiction, and sets out various dispute resolution models which could give ECJ "indirect" jurisdiction. Therefore if a suitable model was established the UK could accept remaining in the ECAA as an ECAA Partner.

Airlines

The International Air Transport Association does not see any alternative to a negotiated agreement [8/11/17].

Airlines must be majority owned to offer intra-EU flights. Easyjet, IAG and Ryanair are all having to address their ownership structures.

Deadlines

Normally passengers book a year in advance and as a minimum flight schedules and seat and cargo inventories must be available 6 months in advance. Deadline is therefore October 2018.

Refs:

Much of this paper is based on *Aviation and the European Common Aviation Area*, Institute for Government, August 2017

As well as:

Brexit, the European Common Aviation Area (ECAA) and the Court of Justice of the European Union (CJEU), InsideBrexitLaw, August 2017

Air Cargo news, 8 November 2017.

European Aviation Safety Agency

Negotiations

As part of the exit negotiation the UKG will discuss with the EU and member States our (UK) future status and arrangements with regard to the European Aviation Safety Agency (EASA).

Scottish Government (Transport Scotland) position?

Agree that a close role, preferably membership, of EASA is required and is desirable.

EASA awards air worthiness certificates which is particularly important for Scotland in relation to helicopters. In reality these certificates come via the CAA and these will still continue.

[redacted]

Views from stakeholders etc

"It would be catastrophic for [UK] industry if there was a backlog of parts not being certified" – ADS

"Although the EU regulations establishing EASA will cease to apply on Brexit, it will be in the interests of all parties for the UK to continue to participate in EASA" – Keith Beattie, Burges Salmon law firm.

"It is said that the UK and France provide 2/3 of all the rule making input on European Safety Regulation and together we undertake close to 90% of EASA's outsourced activities"

CAA wants to remain a key member of the EASA.

Britain plays an essential role in the global aerospace industry, but this position could come under pressure if Britain does not hammer out a favourable deal in the Brexit negotiations. This comes from the manufacturers' organisation EEF and Santander review into the British aerospace industry, which is worth £31bn a year to the UK economy and is the world's second largest, beaten only by the US. The airliner market is dominated by pan-European Airbus and US-based Boeing, and although neither builds complete aircraft in Britain, both rely on UK-built parts to make their products. If Britain creates its own regulatory regime, then manufacturers will still need to have parts authorised by the EASA, raising costs and adding red tape, which would discourage further investment in the sector – EEF and Santander.

"A successful negotiation will enable UK and European businesses to prosper in increasingly competitive global markets. A failure to agree a new trade relationship would undermine competitiveness and threaten the many high value, long-term jobs our companies sustain in the UK and across the European union" - ADS

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Costs associated with EASA and creating something else?

No costs have been identified yet but ADS a Trade Organisation for companies in the UK Aerospace, Defence, Security and Space Sectors considers that it would take 10 years for the country's civil aviation authority to create the necessary certification infrastructure.

Legislation

The legislation underpinning EASA is European Regulation 216/2008, setting out common rules in the field of civil aviation and establishing a European Aviation Safety Agency. This sets out the main rules and principles to establish and maintain a high uniform level of civil aviation safety in Europe, including the creation of a European Aviation Safety Agency (EASA).

Background information

Role: Ensuring safety and environmental protection in civil aviation in Europe

Director: Patrick Ky

Members: 28 EU countries + Iceland, Liechtenstein, Switzerland, Norway

Partners: European civil aviation authorities

Established in: 2002

Number of staff: 840

Location: Cologne (Germany)

Website: European Aviation Safety Agency (EASA)

Role

EASA's role includes:

- harmonising regulations and certification
- developing the single EU aviation market
- drawing up technical aviation rules
- type certification of aircraft & components
- approving companies that design, manufacture & maintain aeronautical products
- providing safety oversight and support to EU countries (e.g. on air operations, air traffic management)
- promoting European and global safety standards
- working with international stakeholders to improve safety in Europe (e.g. the 'EU air safety list' – a list of banned operators).

The UK is one of EASA's founding and key members.

The European Single Aviation market - this integration is based on three things that are difficult to replicate from outside: 35 shared pieces of

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legislation, a common regulator in the European Aviation Safety Agency, and a common court to apply shared rules, the European Court of Justice, including non-discrimination against air carriers.

In February 2017 the FT reported that a Spanish veto was holding up three transport regulations in Brussels; that Madrid is adamant that any deal with post-Brexit Britain is impossible if it includes the territory of Gibraltar; and that may be impossible for Britain to accept.

