Road Haulage and Passenger Transport Sector Report

This report covers Bus and coach transport, and Road haulage and logistics.

1. This is a report for the House of Commons Committee on Exiting the European Union following the motion passed at the Opposition Day debate on 1 November, which called on the Government to provide the Committee with impact assessments arising from the sectoral analysis it has conducted with regards to the list of 58 sectors referred to in the answer of 26 June 2017 to Question 239.

2. As the Government has already made clear, it is not the case that 58 sectoral impact assessments exist. The Government's sectoral analysis is a wide mix of qualitative and quantitative analysis contained in a range of documents developed at different times since the referendum. This report brings together information about the sector in a way that is accessible and informative. Some reports aggregate some sectors in order to either avoid repetition of information or because of the strong interlinkages between some of these sectors.

3. This report covers: a description of the sector, the current EU regulatory regime, existing frameworks for how trade is facilitated between countries in this sector, and sector views. It does not contain commercially-, market- or negotiation-sensitive information.

Description of sector

4. This report is focused upon road haulage and road passenger transport (buses and coaches), and also considers broader logistics impacts.

Road Haulage

5. Under the broad heading of road haulage there are many segments, each with their own operating model. Haulage companies range from large logistics companies through to operators with a single vehicle. This has made the sector highly competitive, and profit margins thin, with operators looking to pick up business at marginal cost. Between the two there are middle-sized players which have often grown from being very small operations.

6. Across all modes, road freight can be described using two measures:

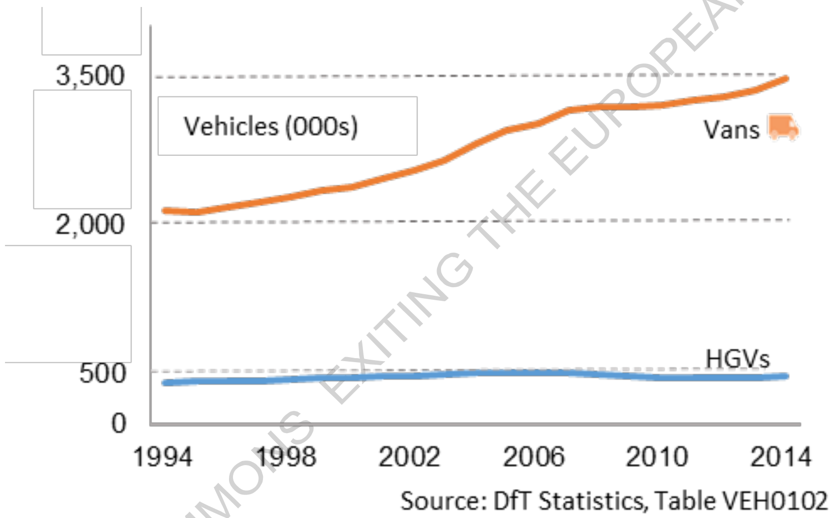
   - **Goods lifted**: the weight of goods carried - measured in tonnes; and
   - **Goods moved**: the weight of goods carried multiplied by distance travelled - measured in "tonne kilometres".

7. Road freight activity can also be split between two types of operators:

- **Own account operators**: those who carry goods only in the course of their own trade/business, such as a supermarket distributing its products to its network of shops; and
- **Public haulage operators:** those who carry goods for other companies/individuals.

8. The road haulage sector distinguishes, for historical reasons, between Heavy Goods Vehicles (over 3.5 tonnes when fully laden) and light trucks and vans (below 3.5 tonnes, i.e. vehicles bigger than a large Transit van). At the end of Q1 2016 there were just over 500,000 HGVs registered in the UK and 3.8 million vans.[1] Vans are a growing part of the domestic logistics picture, especially with the growth of internet shopping and home deliveries, which has led to a shift away from smaller HGVs towards larger vans. As a result, there is some evidence that HGVs are travelling less distance but carrying more goods by weight than in the past.[2]

Number of registered vans and HGVs in GB 1994-2014[3]



9. The vast majority of road freight lifted by UK hauliers is domestic freight solely carried within the UK. In order to carry domestic freight, hauliers need to obtain a Standard Operator Licence. Hauliers wishing to operate both domestically and internationally (including between EU member states) must obtain a Standard International Operator's Licence. Both Operator's Licences can be obtained from the Traffic Commissioners Office (TCO).

10. The table below sets out the numbers of licences in issue in both Great Britain and Northern Ireland, and the vehicles associated with them. In Great Britain, there are just over 77,000 goods vehicle operator licences in issue which allow companies to

[1] DfT Vehicle licencing statistics: https://www.gov.uk/government/statistical-data-sets/veh04-licensed-light-goods-vehicles, https://www.gov.uk/government/statistical-data-sets/veh05-licensed-heavy-goods-vehicles
[2] DfT, Roads Use Statistics, 2016, https://www.gov.uk/government/statistics/road-use-statistics-2016
[3] DfT Vehicle Licencing statistics: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608103/veh0102.ods

operate HGVs and just over 8,000 of these licences allow both domestic and international operations.[4]

Goods vehicle operators - licences in issue and numbers of specified vehicles on licences, 2015-16[5]

	Type of licence			
2015/16	Restricted (own account haulage)	Standard National	Standard International	**Total**
Operators GB (Number)	40,265	28,448	8,289	**77,002**
Specified Vehicles GB [Certified copies of European Community Licences] (Number)	99,567	195,487	82,694 [33,629]	**377,748**
Operators NI (Number)	4,403	378	1,641	**6,422**
Specified Vehicles NI [Certified copies of European Community Licences] (Number)	10,605	2,028	9,823 [7,535]	**22,456**

11. The highest number of Standard International Operator Licences issued by the TCO in any region in the UK was in the Eastern region, with 1,812 in 2015-16.[6]

[4] Traffic Commissioners Annual Report 2015-2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567036/tc-annual-report-2015-2016.pdf
[5] Traffic Commissioners Annual Report 2015-2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567036/tc-annual-report-2015-2016.pdf
[6] Traffic Commissioners Annual Report 2015-2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567036/tc-annual-report-2015-2016.pdf

Buses And Coaches

12. The bus and coach sector comprises local bus services as well as long distance services within the UK and outside the UK. These passenger services can be split into three types of journey:

    - **Regular services -** carriage of passengers at specified intervals along specified routes, with passengers being picked up and set down at predetermined stopping points. Authorisations are issued in agreement with the authorisation of all Member States in whose territories passengers are picked up or set down;
    - **Special Regular services -** Regular services, for specified categories of passengers to the exclusion of other passengers e.g. taking pupils to and from their school. Services must carry a "control document", which in this case would be the contract (or a copy of the contract) between the organiser and carrier; and
    - **Occasional services -** Services which do not fall within the other categories. This type of service will include school trips and coach holidays. Occasional services do not require authorisation but services must carry a "control document". In the UK these are referred to as "waybills".

13. The most recent figures show that in 2016 1.5 million UK residents travelled by coach to the EU (2.8% of total trips)[7] and 1.4 million visitors from the EU arrived by coach (5.6% of total trips)[8].

14. In 2015-16, 2144 coach operators held standard international licences in England, Scotland and Wales[9]. There is no difference in price between a national operating licence and one that includes authorisation to operate international services too, therefore coach operators may opt to purchase international licences, even if they do not run international services in practice.

15. It is harder to provide detailed sectoral statistics on buses and coaches than it is for road haulage, as there is significantly less data available. Consultants Steer Davies Gleave produced a 'Comprehensive Study on Passenger Transport by Coach in Europe' in April 2016 which noted "the extent of foreign operation of domestic services is obscured by the tendency of operators entering a market to establish local subsidiaries or joint ventures. Patterns of ultimate ownership, control, or the allocation of risk and profit can be complex, particularly if the companies which own

[7] ONS International Passenger Survey, UK Residents Visits Abroad 2016 https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/ukresidentsvisitsabroad see table 5.08
[8] ONS International Passenger Survey, Overseas Residents Visits to UK 2016 https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/overseasresidentsvisitstothe uk see table 4.08
[9] Traffic Commissioners Annual Report 2015-2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567036/tc-annual-report-2015-2016.pdf see table 8

coach operators, in whole or in part, are themselves subject to merger and acquisition activity”.[10]

16. A more detailed picture of the UK coach market is difficult to provide. The Steer Davies Gleave study noted that “few member states produce separate statistics on international services, and the use of inconsistent definitions limits the availability and reliability of the information produced”.[11] The Department for Transport produces statistics on local bus services, but does not produce statistics on coach services. It can also be difficult to get data that may be commercially sensitive.

Contribution To The Economy

17. Road freight enables much of the economy that deals with physical goods. It continues to be the main method of transporting freight across the UK, accounting for about 76% of goods moved.[12]

18. Freight transport by road directly contributed £13.1 billion to the UK economy (Gross Value Added or GVA) in 2016.[13] This does not include GVA of logistics operations for firms that fall within other sectors such as retail or manufacturing so the actual GVA for total road freight transport across all sectors would be higher. Under a wider definition of freight and logistics, the activities have been estimated to contribute in the order of £62 billion GVA to the economy.[14] If road freight movements do not take place then this has a much wider impact on GDP and GVA given the impact on supply chains, production and the distribution of goods.

19. Although precise statistics are not available, it is estimated that the long distance coach sector makes up a large proportion of the £2.2bn GVA defined as “other passenger land transport not elsewhere classified”.[15]

20. For buses and coaches, there is also significant foreign direct investment from the EU into the UK. UK operators also have interests in other EU states.

Employment

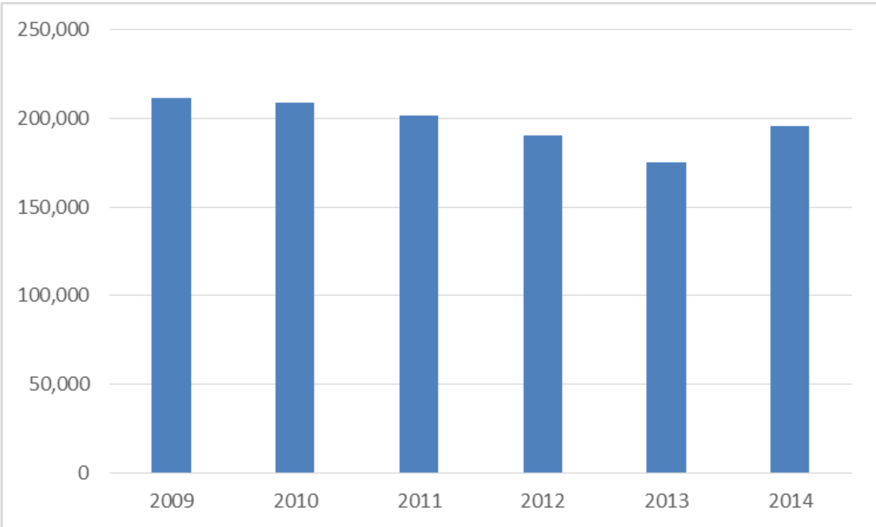
21. In 2014, there were an estimated 195,400 people employed in the road freight sector in Great Britain (as opposed to 228,400 in the wider UK road freight and removals

[10] Steer Davies Gleave Comprehensive Study on Passenger Transport by Coach in Europe, April 2016, https://ec.europa.eu/transport/sites/transport/files/modes/road/studies/doc/2016-04-passenger-transport-by-coach-in-europe.pdf see p.30
[11] Steer Davies Gleave Comprehensive Study on Passenger Transport by Coach in Europe, April 2016, https://ec.europa.eu/transport/sites/transport/files/modes/road/studies/doc/2016-04-passenger-transport-by-coach-in-europe.pdf
[12] DfT Road Freight Statistics, 2015, Table TSGB0401 https://www.gov.uk/government/statistical-data-sets/tsgb04-freight
[13] Annual Business Survey 2017, ONS https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseconomyannualbusinesssurveysectionsas
[14] Delivering the Goods: the Economic Impact of the UK Logistics Sector (British Property Federation) (December 2015) http://www.bpf.org.uk/sites/default/files/resources/BPF-Delivering-the-Goods-Dec-15-web.pdf
[15] ONS Annual Business Survey 2016, https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseconomyannualbusinesssurveysectionsas

sector). This was an 11% increase on the previous year and follows several years of consecutive decline in employment in the sector.[16]

22. More widely, the Freight Transport Association (FTA) estimates that the logistics sector employs about 1.62 million people in the UK directly, with another 2.35 million in occupations related to it.[17] An example of indirect employment is security guards employed to protect logistics depots.

All employees in Road Freight Transport, Great Britain, 2009 - 2014[18]



23. In 2015/16 there were approximately 291,000 professional lorry drivers employed across all sectors in the UK (including both road freight and other sectors such as manufacturing and retail).[19] ONS estimates that around 11% (33,000) of the UK HGV driver workforce is made up of non-UK nationals.[20]

24. The industry has stated that the shortage in the number of drivers is primarily down to an aging workforce with the majority of drivers aged between 45 and 65. These workers are not being fully replaced by new drivers. Significant industry-led work is underway to improve the recruitment and retention of domestic drivers, such as targeting military leavers and job seekers.

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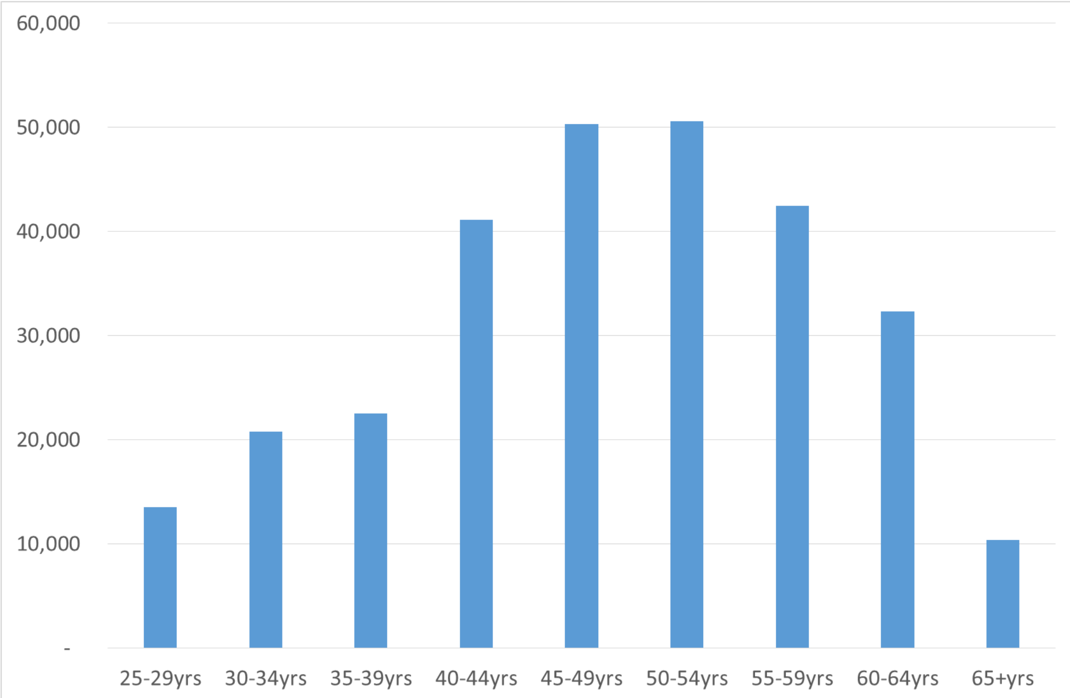
[16] Business Register and Employment Survey (BRES) 2014 provisional results, ONS, http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/businessregisterandemploymentsurveybresprovisionalresults/previousReleases
[17] Logistics Report 2016 (Freight Transport Association). http://www.fta.co.uk/export/sites/fta/_galleries/downloads/logistics_report/lr16-web-030616.pdf
[18] Business Register and Employment Survey (BRES) 2014, ONS http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/businessregisterandemploymentsurveybresprovisionalresults/previousReleases
[19] ONS, Annual Population Survey 2015/16, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/february2016 (Customised analysis compiled by ONS)
[20] ONS, Annual Population Survey 2015/16: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/february2016 (Customised analysis compiled by ONS)

HGV drivers employed in the UK, by age, 2014[21]



Age bands 16-19 and 20-24 were too small to be statistically robust for presentation. Age bands 65-69 and 70 have been condensed together make sample size sufficient

25. The bus and coach sector is also a large employer; recent data confirms that local bus services employ 123,000 people.[22] Due to the way this data is collected, it is at present hard to indicate exactly how many people are employed specifically in international coach travel.

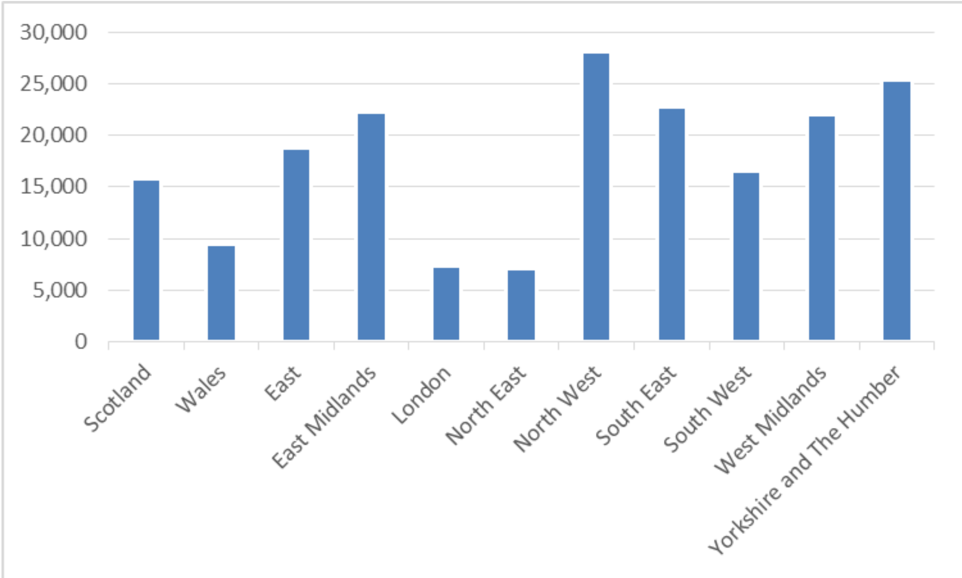
National And Regional Footprint

26. The road freight sector is broadly based across the UK's nations and regions and is correlated to both manufacturing and consumer patterns. National logistics centres tend to be located close to transport links in the English Midlands, while regional distribution centres have concentrations in Scotland (between Edinburgh and Glasgow). The UK's largest container port is Felixstowe and most international road haulage passes through Dover or the Channel Tunnel – the closest access points to the rest of the EU.

27. In terms of employment within the road freight transport sector, this is spread widely across Great Britain, with England having the highest level of employment of the UK nations in 2014. The North West of England had 28,100, compared to London and the North East which had around 7,300 and 7,100 drivers respectively. Scotland had an estimated 15,800 and Wales had 9,500 employees.[23]

[21] ONS Labour Force Survey, April-June 2014, https://www.gov.uk/government/statistics/labour-force-survey-employment-status-by-occupation-april-to-june-2014 (Customised analysis compiled by ONS)
[22] DfT Statistics, BUS071 2015-16 https://www.gov.uk/government/statistical-data-sets/bus07-employment
[23] ONS Labour Force Survey, April-June 2014: https://www.gov.uk/government/statistics/labour-force-survey-employment-status-by-occupation-april-to-june-2014

Employees in Road Freight Transport, Great Britain, 2014[24]



28. In terms of freight activity, the majority of this occurs within English regions. London and North East are the regions where the least amount of road freight goods travelled from while the amount of goods originating from elsewhere is broadly consistent across the remaining English regions.[25]

29. Data on road freight and passenger transport on the island of Ireland are discussed later in this paper.

Patterns Of Trade

30. In 2014, the UK conducted £22.3bn worth of trade in transport services[26] (figures not available for road freight alone) with the rest of the EU – around 48% of the UK's total transport activity.[27] Around £11.9bn of this trade was made up of exports of transport services while £10.3bn was from imports[28].

31. In 2014, UK-registered HGVs travelling to or from the UK carried 8.9 million tonnes of freight of which 4.3 million tonnes were exports and 4.6 million tonnes were imports.[29] International road haulage accounts for 4% of goods moved by the UK

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[24] ONS Labour Force Survey, April-June 2014: https://www.gov.uk/government/statistics/labour-force-survey-employment-status-by-occupation-april-to-june-2014
[25] DfT, Domestic and International Road Freight Statistics 2014, Table RFS 0138 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/626465/rfs0138.ods
[26] ONS definition of transport services covers sea, air and other and includes the movement of passengers and freight, and other related transport services.
[27] ONS Pink Book, 2015, Table 9.11 - Trade in services by type of service 2014, and table 3.2, https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/compendium/unitedkingdombalanceofpaymentsthepinkbook/2015-10-30
[28] ONS Pink Book, 2015, Table 9.11 - Trade in services by type of service 2014, https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/compendium/unitedkingdombalanceofpaymentsthepinkbook/2015-10-30
[29] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014

lorry fleet[30], but is disproportionately valuable and important for a wide range of UK supply chains.

32. In 2014, foreign-registered HGVs travelling to or from the UK carried 34.2 million tonnes of goods (20.8 million tonnes imported and 13.5 million tonnes exported), nearly four times as much as was carried by UK-registered HGVs (8.9 million tonnes of freight of which 4.3 million tonnes were exports and 4.6 million tonnes were imports). Polish HGVs lifted more freight in the UK than vehicles from any other EU nation in 2014.[31]

33. Around 99% of the UK's total international road freight (including foreign hauliers) is to and from the EU.[32] The majority of this is with five EU countries (France, Germany, Netherlands, Ireland and Belgium).[33] It is worth noting that this may not be the ultimate origin or destination of these goods and that they may have come from or be going to another destination via a different means of transport or operator. This is known as "Transshipment". Data on the ultimate origin and destination of freight and is extremely difficult to obtain.

Cross Border Movement Between Northern Ireland And Ireland[34]

34. UK-registered HGVs carried 7.5 million tonnes of freight on cross border movements between Northern Ireland and Ireland in 2014, making Ireland, the UK's only shared EU nation border, the UK's biggest freight trading partner.[35] In 2014, the UK exported around twice as much freight to Ireland than it imported from it – 5.5 million tonnes were exported compared to 2.9 million tonnes imported.[36]

35. Passenger transport provides frequent cross border travel between Northern Ireland and Ireland for a variety of motives (work, business, trade, education, health, family etc.). In 2016-17 it was estimated that there were approximately 900,000 cross-border coach passenger journeys across the Northern Ireland and Ireland border.[37]

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[30] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014
[31] Tables RFS0208, RFS0209, https://www.gov.uk/government/collections/road-freight-domestic-and-international-statistics#data-tables, DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479256/international-road-freight-statistics-2014.pdf
[32] Eurostat, 2014, http://ec.europa.eu/eurostat/data/database (manipulation of online tables needed to replicate this statistic)
[33] Ibid.
[34] The UK's international road freight figures quoted elsewhere in this document mostly exclude freight that was solely transported from Northern Ireland to Ireland and vice versa (i.e. wholly within the island of Ireland). This is based on historical practice which has been continued to ensure consistency in figures presented on road freight. These figures are included in this section to show the impact of cross border freight between Northern Ireland and Ireland, however they will not be comparable with figures on freight elsewhere.
[35] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014 (Customised analysis from DfT statisticians)
[36] Eurostat, 2014, http://ec.europa.eu/eurostat/data/database (manipulation of online tables needed to replicate this statistic)
[37] Translink study cited by ONS https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/livingabroad/2017-09-21

This is a large figure in proportion to the total population of Northern Ireland (1.86 million people).[38]

36. Translink along with Bus Éireann[39] (which is owned by the Irish Government) provide a large proportion of cross border services, operating primarily between the major population centres. Some private companies including First Group UK[40] and a number of smaller operators also provide cross border services. In addition, a small number of Irish registered operators provide school transport services in Northern Ireland, while a number of Irish Operators also provide services originating in Ireland, transiting and picking up passengers in Northern Ireland to travel onto final destinations in Great Britain. There is limited evidence of Northern Ireland registered private operators providing similar services in Ireland.

Gibraltar

37. Coach travel is a common mode of transport for those living in Spain and working in Gibraltar and vice versa. There were 6,900 coaches that arrived in Gibraltar in 2016.[41] There is no direct rail link between Gibraltar and Spain, so coaches/buses are the only mode of public transport that can be used to access Gibraltar by land.

Historical Trends

38. The road freight industry has evolved and found efficiencies over the last 15 years in particular. IT has supported more efficient loading and deployment and palletised transport of goods (where mixed loads are consolidated onto pallets and distributed through hub and spoke operations) revolutionised the industry. UK pallet networks have become integrated with continental pallet networks.

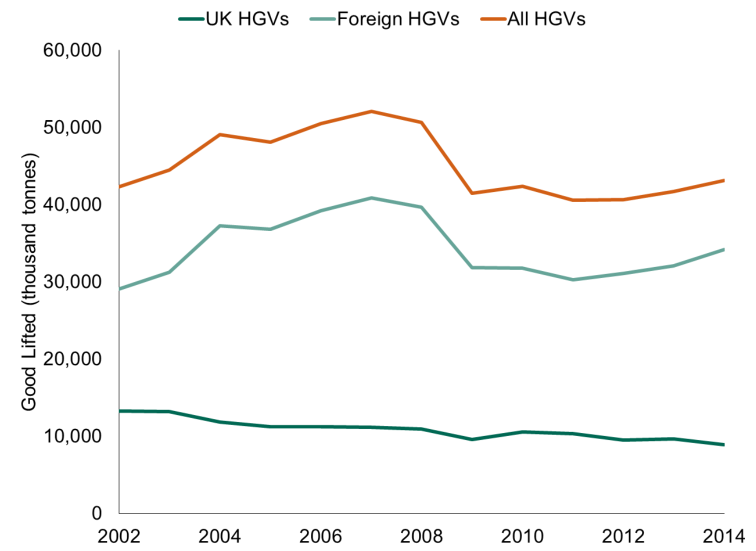
International Road Freight (UK- And Foreign-Registered Vehicles)

39. Trends in international road haulage to and from the UK have generally been consistent with the UK's economic growth. Between 2002 and 2007 the total amount of goods lifted increased by around 23% to 52 million tonnes but declined during the recession to just over 40 million tonnes in 2011.[42] In recent years the total amount of goods lifted has marginally recovered to early-2000 levels.[43]

40. Department for Transport Port Statistics show that the total number of coaches travelling between the UK and the rest of the world has increased by 11% from 163,000 vehicle trips in 2009 to 182,000 vehicle trips in 2015. However, since 1993 there has been a 35% decline in the number of coaches travelling abroad. In 1999 there were 278,000 vehicle trips.

[38] Northern Ireland Population Mid-Year Estimates 2016 https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/MYE16-Bulletin.pdf
[39] Subsidiary of Córas Iompair Éireann
[40] Their subsidiary Ireland-based company Aircoach
[41] Gibraltar Tourist Survey 2016 https://www.gibraltar.gov.gi/new/downloads
[42] Eurostat, 2014, http://ec.europa.eu/eurostat/data/database (manipulation of online tables needed to replicate this statistic)
[43] Ibid.

Goods lifted to and from the UK by HGV registration, 2002-2014[44]



41. In recent years, foreign-registered HGVs have consistently lifted a greater proportion of goods to and from the UK than UK-registered HGVs and the proportion of goods lifted by UK-registered vehicles has been in sustained decline with a drop of 24% seen in the last decade.[45]

International Road Freight (UK-Registered Vehicles)

42. In 2014, the amount of goods lifted by UK-registered HGVs travelling to or from the UK was 8.9 million tonnes, down 8% compared to the previous year. Historically, UK-registered vehicles have consistently brought more goods to the UK than from the UK; of the 8.9 million tonnes of goods lifted, 4.3 million tonnes were exported, and 4.6 million tonnes were imported.[46]

43. There was a 9% decrease in the amount of goods moved from 6.4 billion tonne kilometres in 2013 to 5.9 billion tonne kilometres in 2014. This is a fall of 65% from the 1997 peak of 16.5 billion tonne kilometres.[47]

[44] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014
[45] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014 / Eurostat, 2014, http://ec.europa.eu/eurostat/data/database
[46] DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014
[47] DfT, Domestic and International Road Freight Statistics 2014, (figures provided have been rounded) https://www.gov.uk/government/statistics/road-freight-statistics-2014

Goods lifted to and from the UK by UK-registered vehicles, 2004-2014[48]

Domestic Road Freight (UK-Registered Vehicles)

44. Domestically the volume of goods moved by road has generally followed both the manufacturing output and transport and storage output components of GDP.[49]

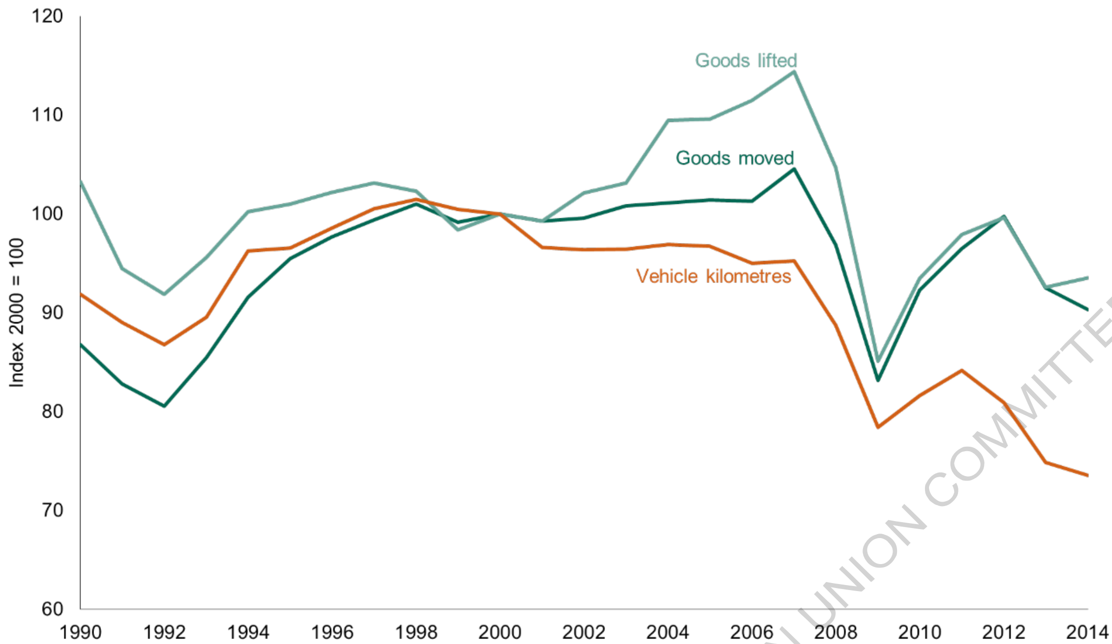
45. Between 2013 and 2014, the amount of goods moved by GB-registered HGVs operating in the UK decreased by 2% to 136 billion tonne kilometres. This is 14% lower than the peak of 157 billion tonne kilometres in 2007.[50]

46. Over the same period between 2013 and 2014, the amount of goods lifted increased by 1% to 1.49 billion tonnes. This is still 18% lower than the peak in 2007 of 1.82 billion tonnes.[51]

47. The distance travelled by HGVs in the UK decreased by 2% from 2013 to 16.9 billion vehicle kilometres in 2014. This continues the general downward trend since the peak of 23.3 billion vehicle kilometres in 1998.[52]

48 Ibid.
49 DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014
50 DfT, Domestic and International Road Freight Statistics 2014, Table RFS0101 https://www.gov.uk/government/statistics/road-freight-statistics-2014
51 Ibid.
52 DfT, Domestic and International Road Freight Statistics 2014, https://www.gov.uk/government/statistics/road-freight-statistics-2014

Goods moved, goods lifted and vehicle kilometres by GB-registered HGVs, 1990- 2014[53]



The current EU regulatory regime

Main sector-specific rules governing the provision of this activity in the EU

48. EU legislation on market access is based on similar principles to those applied for rail and aviation. If an operator holds a "Community licence" it may carry out international haulage or passenger transport operations within the EU and, subject to some constraints, cabotage operations. The conditions for gaining and holding a "Community licence" are set out in legislation and include provisions on fitness and financial adequacy.

49. The main EU rules are explained below, grouped into relevant policy areas. In summary, there are common rules governing:
    - the establishment of haulage operators and their access to the single market;
    - access to the international market for coach and bus services;
    - driver licensing and additional training for commercial vehicle drivers;
    - safety and social rules for commercial vehicles, including maximum driving hours (and recording devices, known as tachographs);
    - charging heavy vehicles for road use and road infrastructure;
    - roadworthiness rules (including vehicle testing and checks); and
    - permissible vehicle dimensions and weights.

50. There are a number of compliance and enforcement issues related to some of the rules, which are discussed below.

[53] Ibid.

51. These rules have been described by the Commission as constituting the establishment of a single road transport area, which has a liberalised transport services market at its heart, and also includes objectives relating to road safety and environmental protection.[54] The integration of road freight into the EU's single market has led to increasing levels of international road freight and a more competitive market. EU legislation has also helped set a level playing field across the EU with minimum safety standards. The driver and vehicle licensing, insurance, vehicle testing and registration processes affect both commercial road transport and private motoring.

52. The road freight being regulated is not just standard loads but also covers some more niche functions, such as the movement of horses around Europe and also removal firms. These all constitute freight and are all subject to the same EU and domestic legislation.

53. The rules governing freight are generally applicable to road hauliers using vehicles of over 3.5 tonnes (i.e. larger than a van).

Access to the profession of road transport operator

Regulation EC 1071/2009

54. Regulation EC 1071/2009 sets out common rules concerning the conditions to be complied with to pursue the occupation of road transport operator. It governs both freight and passenger transport.

    According to the regulation, operators must fulfil four criteria to access the profession:

    - **Good repute**, which shall ensure adequate entrepreneurial ethical conduct. Manipulating a tachograph, for example, would be considered a serious infringement leading to the loss of a good reputation;
    - **Financial standing**, which requires operators to have capital assets available every annual accounting year of at least € 9000 for the first vehicle and € 5000 for each additional vehicle;
    - **Professional competence**, which requires practical knowledge and the aptitude of professionals in the sector by means of an obligatory exam with common arrangements, marking and certificates;
    - To have an **effective** and **stable establishment** in a Member State.

55. In addition, a transport manager who is responsible for respecting the road transport legislation in force must be designated by each road transport operator.

56. National authorities have to carry out regular checks to ensure that operators continue to satisfy these four criteria. In the UK these checks are undertaken by the Driver and Vehicle Standards Agency (DVSA) and the enforcement procedures are undertaken by the Traffic Commissioners. There is also a system of cross-border

[54] For more information on the Common Transport Policy, see for example, http://ec.europa.eu/transport/themes/strategies/studies/doc/future_of_transport/20090908_common_transport_policy_final_report.pdf

intelligence-sharing about operators committing the "most serious infringements" of their obligations, between Traffic Commissioners and their counterparts in the rest of the EU.

Regulation EC 1072/2009

57. Regulation EC 1072/2009 sets out common rules for access to the international road haulage market.

58. This Regulation provides the basis on which international road haulage between EU member states is permitted. This regulation currently allows the UK to issue "community licences" to road haulage companies based in the UK (as long as the companies meet the minimum requirements in Regulation EC 1071/2009) and those companies are then permitted to undertake international road haulage operations between the UK and all other EU or EEA member states without the need for any additional permits.

59. This Regulation (and its predecessors) replaced the need to have a series of bilateral arrangements.

60. This Regulation also sets out the requirements and provisions for freight journeys within another country by a foreign operator ("cabotage"). The Regulation entitles community licence holders to carry out cabotage operations subject to certain limitations. The overall duration of cabotage is limited to seven days and caps the maximum number of allowed cabotage operations to three. Member States may choose to offer more generous arrangements. Before cabotage can start the haulier must have entered the host Member State with a laden vehicle and the goods carried in the course of the incoming cross-border transport must have been delivered.

61. The regime is supported by other market access provisions, such as Directive 2006/1/EC, which governs the cross-border leasing of vehicles without drivers for the carriage of goods by road.

Access to the international market for coach and bus services

Regulation (EC) No. 1073/2009

62. Bus and coach travel between EU Member States is governed by Regulation (EC) No. 1073/2009 on common rules for access to the international market for coach and bus services[55], which came into effect on 4th December 2011.[56]

63. The Regulation sets three categories of service; regular, special regular and occasional, with different authorisation requirements. In all cases, a carrier must be authorised to provide such services in accordance with market access conditions laid down by the national legislation of the Member State; satisfy EU conditions on

[55] Regulation (EC) No. 1073/2009, http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32009R1073&from=EN

[56] Save for Article 29, which came into effect from 4th June 2010. Article 29 introduced a specific derogation to driving hours rules, commonly referred to as the "12 day rule". See https://www.gov.uk/drivers-hours/eu-rules

admission to the occupation of road passenger transport operator; and meet a range of legal requirements for driver and vehicle standards (Article 3).

64. Regular (timetabled) services require an authorisation by all Member States in whose territories passengers are picked up or set down. The Regulation also authorises cabotage operations for certain services.

Driver licensing and training

65. There is a harmonised EU-level regime on driver licensing, including for the HGV vehicle categories. This means that a driver qualified to drive a lorry in one Member State can do so in any other on the same licence, without the need for an international driving permit, ensuring a level playing field for drivers from all Member States.

Directive 2003/59/EC

66. Directive 2003/59/EC sets out the initial qualification and periodic training of drivers of certain road vehicles for the carriage of goods or passengers (aside from driver licensing). The rules require these drivers to hold a driver certificate of professional competence (DCPC) obtained by completing an initial detailed test, with periodic re-training every five years.

Social and safety rules for drivers

67. Both the EU drivers' hours rules (Regulation EC 561/2006) and the EU working time rules (Directive 2002/15/EC) for mobile road transport workers aim to promote road safety, by limiting the time drivers spend driving a large commercial vehicle and on other duties, to help reduce the risk of drivers being involved in fatigue-related accidents. A further objective is to ensure fair competition in the industry and to improve the working conditions of drivers at the EU level. These rules are supported by an enforcement regime centred on the use of tachographs to record drivers' hours.

Regulation EC 561/2006

68. Regulation EC 561/2006 (EU drivers' hours rules) applies to most goods vehicles weighing over 3.5 tonnes and passenger vehicles with 10 or more seats (unless covered by a range of specific EU-wide exemptions and national derogations). This Regulation sets maximum limits on driving time and minimum requirements for breaks and rest periods, to be enforced by national authorities.

Directive 2002/15/EC

69. Directive 2002/15/EC (Sector specific working time rules) applies to drivers in scope of Regulation EC 561/2006. These rules limit the total amount of work that can be carried out in one week, including driving and any other work.

Regulation EU 165/2014

70. Regulation EU 165/2014 (tachographs) sets out obligations and requirements in relation to the construction, installation, use, testing and control of tachographs in order to verify compliance with Regulation EC 561/2006.

Directive 2006/22/EC

71. Directive 2006/22/EC (enforcement requirements) determines minimum requirements for enforcement of Regulation EC 561/2006 and Regulation EU 165/2014. It requires Member States to provide statistics biennially to the European Commission on the number of working days checked at the roadside and at operator premises, including the number and type of offences detected.

Directive 92/6/EEC

72. Directive 92/6/EEC sets out rules for "the installation and use of speed limitation devices for certain categories of motor vehicles in the Community", which is transposed via The Road Vehicles (Construction and Use) (Amendment) (No. 1) Regulations 1993 (SI 1993/1946). 92/6/EEC was later amended by Directive 2002/85/EC, transposed into UK law by The Road Vehicles (Construction and Use) (Amendment) (No.2) Regulations 2004 (SI 2004/2102).

HGV charging and taxes

Directive 1999/62/EC

73. Directive 1999/62/EC ("Eurovignette" Directive) sets rules for road user charges and annual taxes on HGVs. The Directive seeks to ensure a level playing field by setting the bounds within which Member States may set their vehicle taxes and user charges, and encourages charges to reflect the "user pays" and "polluter pays" principles. Most EU states have some form of time or distance based charge.

Directive 2004/52/EC and Decision 2009/750/EC

74. Directive 2004/52/EC ("European Electronic Toll" Directive) and related Decision 2009/750/EC aim to achieve the interoperability of all the electronic road toll systems in the EU in order to avoid the proliferation of incompatible systems. The Directive therefore stipulates that a European Electronic Toll Service ("EETS") shall be set up, to cover all road networks and tolled infrastructures in the EU, and defines the allowed technological solutions for carrying out electronic toll transactions. The Directive did not set up EETS as such, but rather provided the framework for its establishment.

Roadworthiness rules for commercial vehicles

75. There is a common EU regime covering the roadworthiness of commercial and private vehicles. It is designed with a view to ensuring that a minimum standard of road safety is upheld across the EU, including (but not limited to) vehicles that cross internal borders.

Directive 2014/45/EU

76. Directive 2014/45/EU[57] (Periodic technical inspections) defines the approach to be taken by member states with respect to regular vehicle checks (roadworthiness testing). It covers the arrangements for the testing regime, for example ensuring the independence of the testers. It also sets out the detailed minimum technical

57 This Directive comes into force on 20 May 2018 and replaces Directive 2009/40/EC on that date.

standards of the test. Tests of goods vehicles in GB are done by DVSA examiners and EU rules cover who can test vehicles.

Directive 2014/47/EU

77. Directive 2014/47/EU[58] (roadside inspections) defines the minimum roadside inspection regime that each Member State must implement for commercial vehicles. These inspections are designed to complement the periodic technical inspections. The Directive sets out the governance arrangements for the regime, the risk rating approach to be taken and a minimum number of vehicles to be inspected annually (5% of the total). In GB, compliance with this Directive is ensured by the work of the enforcement agencies (DVSA and the Police in GB, Driver and Vehicle Agency (DVA) and the Police Service in Northern Ireland (PSNI) in NI).

Directive 1999/37/EC

78. There are also EU rules relating to how Member States are to register vehicles as authorised for road use, and to suspend that authorisation in case of serious vehicle defects (Directive 1999/37/EC).[59]

In-use weights and dimensions rules for certain motor vehicles circulating across the EU (including certain lorries and buses)

Directive 1996/53/EC

79. Directive 1996/53/EC (General Circulation Directive) sets out harmonised maximum weights and dimensions for motor vehicles, trailers and articulated vehicles across Europe to allow free movement of vehicles between Member States. The harmonised weight and dimension limits apply to international traffic but Member States are able to set their own weight limits for vehicles in national traffic. The Directive helps to ensure that a level playing field is maintained in the single market and that operators in one Member State do not have an unfair advantage over others. It also helps safeguard against vehicles being overloaded and causing excessive road wear.

Devolved areas of responsibility

80. Most of the EU rules set out above are reserved matters in relation to Scotland and Wales and are devolved in Northern Ireland and Gibraltar. While in Northern Ireland and Gibraltar the rules are generally transposed in the same manner as in Great Britain, they have the power to determine how they transpose and implement these rules, as well as the power to set any additional rules in this area. Different regimes apply in the Crown Dependencies and other Overseas Territories, which are not generally bound by EU rules.

81. This Report has particular relevance for Northern Ireland and Ireland. In August 2017, the UK government published the *Northern Ireland and Ireland position paper*[60] outlining the UK's position on addressing the unique circumstances of Northern

[58] This Directive comes into force on 20 May 2018 and replaces Directive 2000/30/EC on that date.
[59] Recently amended by Directive 2014/46/EU.
[60] Northern Ireland and Ireland Position Paper, August 2017, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638135/6.3703_DEXEU_Northern_Ireland_and_Ireland_INTERACTIVE.pdf

Ireland and Ireland in light of the UK's EU withdrawal. The UK and EU have mapped out areas of cooperation under the Belfast ('Good Friday') Agreement that function on a cross-border North-South basis. This detailed work demonstrates a wide range of cooperation across different aspects of the economy, public services, and the environment.

Existing frameworks for how trade is facilitated between countries in this sector

82. The arrangements described in this section are examples of existing arrangements between countries. They should not be taken to represent the options being considered by the Government for the future economic relationship between the UK and the EU. The Government has been clear that it is seeking pragmatic and innovative solutions to issues related to the future deep and special partnership that we want with the EU.

83. Internationally there are a number of road transport agreements that govern travel by road for hauliers and road passenger transport operators. Many of these agreements are based on EU rules. The key international agreements connected with road haulage and passenger transport are:
    - **The European Conference of Ministers of Transport (ECMT)** - The International Transport Forum is responsible for the system of European Conference of Ministers of Transport (ECMT) road haulage permits. Through this system the UK and other ECMT member countries receive a quota of permits to cover the international carriage of goods. This system is often supplemented by bilateral arrangements between countries. The Quality Charter for the ECMT has very similar requirements to Regulation EC/1071/2009 for minimum standards of good repute, financial standing and professional competence;[61]
    - **The European Agreement Concerning the Work of Crews Engaged in International Road Transport (AETR agreement)** - This agreement aims to promote the development and improvement of the international transport of passengers and goods by road. The AETR contains similar rules to the key EU regulations related to drivers on international travel to and through the EU by non-EU road freight. For example, the AETR agreement as it is currently constituted contains the same rules on minimum rest periods and maximum driving hours for drivers as EU rules do; and
    - **Interbus -** The Interbus agreement liberalises the international *occasional* carriage of passengers by coach and bus, in return for contracting parties meeting set standards.

84. These agreements have sought to facilitate international road transport and deepen trade links through the gradual liberalisation of road transport operations. These agreements also aim to improve the safety of international road traffic.

[61] Confederation of Passenger Transport, http://www.itf-oecd.org/sites/default/files/docs/itf201503fe_0.pdf

85. Bilateral agreements are also a common feature of international road freight and the UK has a number of bilateral agreements in place with countries such as Turkey and Ukraine. Switzerland and the EU Member States have concluded a unique deal for road haulage. In 1999, a land transport agreement was reached providing for goods and passenger transport and transit by road and rail, which allows for liberalised access between EU Member States and Switzerland. The agreement does not allow for cabotage movements.

86. While the Government recognises these existing frameworks, the UK will be seeking ambitious future arrangements which are best able to reflect the interests of all citizens and businesses.

Sector views

[This information was provided by the Government to the Committee, but the Committee has decided not to publish this section]