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GOVERNMENT RESPONSE TO THE HOUSE OF LORDS EUROPEAN UNION COMMITTEE REPORT INTO BREXIT: ROAD, RAIL AND MARITIME TRANSPORT

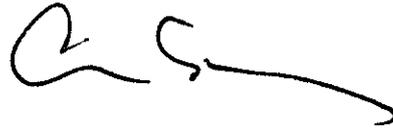
Thank you for your report *Brexit: road, rail and maritime transport*. The Government is grateful to the Internal Market Sub-Committee for its thorough work and detailed analysis of the implications of Brexit for UK-EU surface transport.

We note that the Committee considered these matters primarily in the context of a negotiated Brexit, irrespective of the specific form this may take, but also took account of 'no deal' preparations, both within the UK and by the EU itself. When I gave evidence to the Committee in November 2018 as part of its inquiry I said that we would continue to prepare for all eventualities, and this is what we have done. We continue to make plans for the new EU exit date of 31 October, although of course many of the preparations that were originally made for 29 March are still in place.

As the Committee will know, the EU has also made its preparations, including helpful contingency measures that will maintain rights for UK airlines, hauliers and bus/coach operators to provide services to and from the EU for a specified period after exit.

The Government's response to the recommendations set out in the Committee's report is attached.

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A handwritten signature in black ink, appearing to be 'C. Grayling', with a long horizontal flourish extending to the right.

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

GOVERNMENT'S RESPONSE TO THE HOUSE OF LORDS EUROPEAN UNION COMMITTEE REPORT INTO BREXIT: ROAD, RAIL AND MARITIME TRANSPORT

Road haulage

Recommendation 1: It is difficult to overstate the importance of future arrangements to preserve UK-EU market access for hauliers. The Political Declaration identifies “comparable market access” for freight road transport operators as a shared negotiating objective. We call on the Government to clarify the meaning of ‘comparable’ in this context. (Paragraph 41)

The meaning of “comparable market access” in the Political Declaration refers to a reciprocal level of market access for the UK and EU. As set out in the White Paper of July 2018, the UK will continue to work towards a future road transport relationship that is as frictionless as possible, and one that supports our integrated supply chains. We note the importance of cabotage and cross-trade rights for UK hauliers and will pursue these in our negotiations.

Recommendation 2: The continuation of the Community Licence system for UK hauliers would maintain the status quo. The published positions of the UK Government and the EU suggest that this is not a likely outcome. A UK-specific permit or licence system could provide a workable alternative. We consider that a system based on a limited number of permits should be avoided. (Paragraph 42)

The Government wants a future road transport relationship that maintains current market access arrangements as far as possible, and is seeking an agreement with reciprocal arrangements for UK and EU hauliers, as outlined in the Political Declaration. There is a range of ways in which this could work, including the mutual recognition of existing documents issued to UK and EU hauliers for international carriage without the need for new paperwork. Alternatively, hauliers may need to carry permits. While the framework and systems established through the Haulage Permits and Trailer Registration Act¹ will allow us to cater for a full range of outcomes including a permit scheme, this is not our preferred position and the Government is seeking reciprocal arrangements that are as frictionless as possible for road haulage.

In any case, the Government has committed not to require, in any scenario, new permits for transport services between Northern Ireland and Ireland.

The EU’s ‘no deal’ Regulation (EU) 2019/501² on basic road connectivity, which will come into force should we leave the EU without a deal, shows the importance of road haulage access for maintaining trade, and a desire not to limit the amount of

¹ <https://www.legislation.gov.uk/ukpga/2018/19/contents/enacted>

² <https://eur-lex.europa.eu/eli/reg/2019/501/oj>

goods that can be moved between the UK and EU. The majority of UK-EU haulage, around 85%, is undertaken by EU hauliers.

Recommendation 3: Cabotage and cross-trade are types of international haulage operations performed by non-resident hauliers. Future cabotage and cross-trade arrangements will therefore have a bearing on the opportunities available to UK hauliers in the EU as well as on how EU hauliers can move goods to, from and within the UK. (Paragraph 43)

Recommendation 4: A significant proportion of international journeys by UK hauliers involve cabotage, cross-trade or both, but UK hauliers have a low share of total EU rates in terms of volumes transported and distance travelled. Cabotage by EU hauliers in the UK is more significant, but still relatively modest. Securing reciprocal cabotage rights may be politically difficult and we do not consider cabotage to be essential to the UK in a future UK-EU agreement on road haulage. We address the role of reciprocal cabotage on the island of Ireland in Chapter 8 of this report. (Paragraph 44)

Response to both 3 & 4:

Most recent Government analysis indicates that 43% of international trips by UK hauliers involve an element of cross-trade, cabotage or both. A breakdown of this figure shows the following:

- 57% of international trips by UK hauliers are point to point journeys;
- 15% of international trips by UK hauliers involve cross-trade, but not cabotage;
- 25% of international trips by UK hauliers involve cabotage, but not cross-trade;
- 3% of international trips by UK hauliers involve both cross-trade and cabotage.

While levels of cabotage by UK hauliers are lower than cross-trade, both support an efficient, cost-effective supply chain and can reduce the empty-running of trucks. UK hauliers who currently undertake cross-trade or cabotage would need to adapt their business if such rights are not included in a future agreement on road haulage.

Recommendation 5: While cross-trade performed by UK hauliers is also relatively low, witnesses told us that cross-trade rights have wider implications for certain sectors or operators. We call on the Government to provide more detailed information on the importance of cross-trade to the flow of goods in and out of the UK, including any significant sectoral implications. (Paragraph 45)

Intra-EU work, such as cross-trade, is predominantly used on longer trips to the EU (i.e. a haulier must be on a journey beyond France to conduct cross-trade in mainland Europe). As such, the impact of not being able to perform this activity will be felt most keenly by those sectors reliant on trade between the UK and specific longer-distance Member States. However, it is very difficult to determine which sectors these are, and the extent to which these sectors are served by UK or EU hauliers, as data on this subject is not held by the Government. Data on road freight

shows the type of goods and their start and end points, when transported by HGV, but not who the goods are being transported for or their intended use. As an example, many of the UK's pharmaceuticals come from Germany – around three-quarters of these goods come in and out of the UK on trips involving some form of intra-EU work. A loss of cross-trade rights for UK hauliers does not mean that those goods would not be able to come to the UK. They could be carried by UK hauliers on bilateral journeys or by EU hauliers, the main effect being an adjustment in how hauliers operate.

Recommendation 6: Where the UK and EU may have primary interests in different aspects of future cabotage and cross-trade arrangements, a trade-off between these interests in a future road haulage agreement could benefit both sides. We urge the Government to work closely with the road haulage industry to make clear its priorities for future cabotage and cross-trade arrangements with the EU. (Paragraph 46)

Recommendation 7: Negotiations on the EU's 'no deal' measures for UK hauliers resulted in a limited, shared allocation for cabotage and cross-trade journeys. This might provide a model for future UK-EU arrangements—though such a system could be burdensome to enforce. (Paragraph 47)

Response to both 6 and 7:

The Government recognises the importance of cross-trade and cabotage rights for UK hauliers. We will continue to engage with the UK haulage industry to ensure their views and priorities are reflected in conversations about future UK-EU arrangements for road transport.

Recommendation 8: There are a few areas where divergence from EU haulage standards would reduce the compliance burden for UK hauliers, particularly in relation to domestic-only operations. The Political Declaration suggests that the depth of market access under a future arrangement will be a function of the alignment between UK and EU rules in a number of policy areas, including social standards and conditions of employment. The limited benefits of regulatory divergence are unlikely to outweigh the opportunities of greater market access. (Paragraph 55)

The balance between alignment and market access will be a matter for negotiation. Any assessment of the benefits and risks of divergence also needs to consider how EU regulation may develop in future.

9. The ECMT system facilitates road haulage in Europe and surrounding regions. In the absence of an agreement on road haulage, ECMT permits would allow some UK-EU journeys, but permits are limited in number, do not allow cabotage and present some restrictions on transit. The limited number of available permits appears to be the most significant limitation. The first-round allocation of available permits to UK hauliers demonstrated that the supply is vastly outstripped by demand. (Paragraph 66)

ECMT permits will continue to ensure market access for UK hauliers in any Brexit outcome. However, the limited number of ECMT permits available means that we do not intend to rely on ECMT permits alone; instead ECMT permits will provide additional capacity to UK hauliers alongside other market access arrangements. We are working closely with industry on the practicalities of the operation of ECMT permits.

Recommendation 10: Bilateral agreements between the UK and individual Member States would also facilitate haulage in the absence of a comprehensive agreement with the EU. A number of historical bilateral agreements could be reinstated without major legislative work, although some would be more difficult to revive. We support the Government's prioritisation of negotiations with the UK's nearest neighbours and major trading partners. We note that EU-level arrangements, such as a basic agreement or contingency measures, may place restrictions on bilateral agreements with Member States. (Paragraph 67)

The Government remains focused on delivering a smooth and orderly withdrawal from the EU as soon as possible. It is important to note that preference would always be to secure an EU-wide agreement to avoid a patchwork of bilateral agreements. Nevertheless, the Government is ready to work with partner countries where existing bilateral agreements revive on exit to ensure those agreements function.

Bus and coach transport

Recommendation 11: Bus and coach transport provides consumers with a low-cost option for international travel, and an agreement to maintain UK-EU services would have clear reciprocal benefits for both markets. We note the objective set out in the Political Declaration to seek comparable market access arrangements for passenger transport operators as well as road hauliers. (Paragraph 79)

The Government supports the Committee's view that bus and coach transport provides consumers with a low-cost option for international travel, and that an agreement to maintain UK-EU services would have clear reciprocal benefits for both markets. As the Committee's report recognises, the Government's position is to secure comparable market access arrangements for passenger road transport operators (the same position as for freight road transport operators).

Recommendation 12: As for road haulage, the Political Declaration suggests that regulatory alignment will be a prerequisite to a liberalised market access arrangement for passenger transport. There may be some areas where it would be beneficial for UK operators to diverge from EU rules, though the benefits of divergence are unlikely to outweigh those brought by the maintenance of market access. (Paragraph 80)

Please see the response to Recommendation 8, which applies here too.

Recommendation 13: The UK's independent accession to the Interbus Agreement would assure cross-channel coach trips, whether or not there was a wider UK-EU agreement on bus and coach transport. The Interbus Agreement does not extend to Regular and Special Regular services. While this is a major limitation currently, steps are being taken to expand the Agreement to include these services. A further limitation is that the Interbus Agreement cannot be used to transit through the EU to reach non-contracting parties, such as Switzerland. (Paragraph 87)

Recommendation 14: We note that the Government has taken steps to ensure that the UK can accede to Interbus if the UK leaves the EU without a deal on 31 October 2019. (Paragraph 88)

Response to both 13 and 14:

The Interbus Agreement currently provides for liberalised, occasional coach services (e.g. holidays, school trips, private tours) between the contracting parties. The existing contracting parties are the European Union, Albania, Bosnia and Herzegovina, North Macedonia, Moldova, Montenegro, Ukraine and Turkey. As the Committee notes, the Interbus Agreement does not currently extend to regular and special regular services, but a process has been started to achieve this. The protocol to the Interbus Agreement extending it to regular and special regular services will take effect, for the contracting parties who sign it, on the first day of the third month after four parties (including the European Union) have signed it. While the signature process closed on 16 April, the Interbus Secretariat noted that the signature process to the protocol will be extended until further notice. As a recent development, the EU has now signed the agreement which means only three further signatures are needed for it to take effect.

As the Committee's report highlights, the Interbus Agreement does not provide for transit through the EU to countries that are not contracting parties to the Agreement. The Government recognises the need to secure road transport arrangements with the EU allowing transit, and this will be a key part of future discussions.

As also noted by the Committee, the Government has taken steps to ensure that the UK becomes a contracting party to the Interbus Agreement in its own right in the event that the UK leaves the EU on 31 October 2019 without a deal. As outlined above, Regulation (EU) 2019/501 would then also apply.

Private motoring

Recommendation 15. The mutual recognition of driving licences and the establishment of the Green Card-free circulation area have brought substantial benefits to commercial drivers and private motorists. We encourage the

Government to seek continuation of present arrangements as part of a future arrangement with the EU. (Paragraph 103)

The Government believes the UK should and can remain within the Green Card-free circulation area once we leave the EU, and we recognise the benefits of doing so for UK motorists wishing to drive their vehicles in the EU. The UK is maintaining the requirement for third party motor insurance cover for travel to the EU, and meets all requirements needed to remain a part of this area after EU exit. We continue to urge the European Commission to commit to issue an implementing decision that would ensure that UK motorists can drive in the EU without a Green Card, and vice versa, in the event of a 'no deal' exit.

Arrangements for private motorists are covered in the Political Declaration, and the Government fully intends to include driving licence recognition and exchange as part of the future arrangement with the EU. In the meantime, the Commission has confirmed that Member States have competence with respect to exchange of driving licences, and DfT officials are progressing bilateral arrangements with Member States.

Recommendation 16: The inconvenience and additional costs of International Driving Permits and Green Cards should not be underestimated. We find the present requirement for UK drivers to visit a Post Office to obtain an International Driving Permit unsatisfactory. We therefore urge the Government to improve accessibility, including the addition of an online option. (Paragraph 104)

In late 2017, when we were considering future arrangements for the issuing of International Driving Permits (IDP), the Government decided to provide an expanded over the counter service in 2500 post offices. This has now been extended to an additional 583 post offices from 22 May 2019. There is still the possibility of a further expansion to a further 1,500 branches if the demand were to increase. However, the average driving distance to a Post Office with an IDP service is now around two miles. 95% of the population is within five miles of an IDP issuing post office branch, with 99% within ten miles.

An online service was considered, but was not pursued at this stage for three reasons; security, consistency and speed. Firstly, it is set out as a legal requirement in the 1968 United Nations Convention on Road Traffic that a physical, paper booklet is required for an IDP. Each IDP also needs to be individually stamped to show the relevant driver entitlements. The only way to confirm these entitlements, for security reasons, would be by presenting original documents. Compared to other approaches, the simplest and most secure approach is across a Post Office counter,

Secondly, working through the Post Office ensures that around 4.5 million individuals with GB paper licences are not disadvantaged. They would not be able to use the online service due to the fact that their driving licence records do not contain an image that could be reused for the IDP, and unlike photocard licence holders they have not had to produce additional evidence to verify their identity.

Finally, the over the counter service offers IDPs on the spot, whereas the previous online application with postal service could take up to 10 days. We have ensured that the current service provides drivers with a range of Post Offices with a wide geographical spread across the country. We will, of course, keep this matter under review.

Vehicle standards

Recommendation 17: The Secretary of State told us that the EU's influence in global standard-setting was waning, but other witnesses suggested that the EU was hugely influential. If the latter is and remains true, the UK will have a continuing interest in the EU's position on standards, which will be more difficult to influence after Brexit. Nevertheless, there may be opportunities, for example, in areas relating to newer technologies, for the UK to take a leading role in international standard-setting after Brexit. (Paragraph 111)

As an active and respected member of the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations (WP.29) the UK expects to maintain the high level of influence on the development of international vehicle technical standards that we currently enjoy. The UNECE leads on the development of safety standards which are adopted globally, including the EU, and internationally harmonised versions of the EU's environment standards are also being developed there. The UK is already taking the opportunity to lead on the development of standards for new technologies and currently chairs the relevant UNECE technical working group for automated vehicles.

Recommendation 18: For vehicles to be registered, sold and enter into service, they must be type-approved by a recognised authority. Failure to reach a future arrangement on mutual recognition for type-approvals would mean that two separate approvals would be required for vehicles entering the UK and the EU. This would have cost implications for manufacturers. We support the Government's intention to seek mutual recognition of type-approvals as a mutually beneficial arrangement. We note, however, that there is no exact precedent for such a regime. (Paragraph 118)

As the Committee noted, mutual recognition is the best possible outcome for both parties. The high level of cross-border trade and activity underlines the need for such an arrangement. Although an exact precedent does not exist, the EU will be obliged to accept UNECE approvals issued by the UK's type approval authority, the Vehicle Certification Agency (VCA). The VCA is well-respected among EU manufacturers and will continue to issue these approvals, which cover the majority of requirements needed to access the EU market. Each trade agreement is bespoke, and we are confident that the UK can conclude a mutually beneficial arrangement with the EU on this issue.

Rail transport

Recommendation 19: While the UK's railway is largely domestic, the UK has strong interests in the wider EU rail industry. It must not be overlooked that UK and EU operators, manufacturers and drivers access each other's markets, to mutual benefit. (Paragraph 142)

The UK has long welcomed businesses based overseas investing in our rail markets, just as the EU has benefited from UK businesses operating in other Member States. Once the UK leaves the EU, we see no reason why this would disrupt the involvement of EU-based companies in our domestic rail market; this is in both the interests of the UK and the EU.

Recommendation 20: The Government has rejected the option of a rail agreement with the EU. Cross-border services, namely the Dublin-Belfast Enterprise Line and services through the Channel Tunnel, will instead be addressed through bilateral agreements. This approach has been agreed with the Commission and is reiterated in the Political Declaration. We believe that securing the continuation of these services as they operate now is in the interest of all sides and we encourage the swift conclusion of such agreements once the UK becomes a third country. (Paragraph 143)

Recommendation 21: While we accept that maintaining existing services is the most urgent priority, a more far-reaching set of bilateral agreements would provide greater certainty for long-distance freight services and support the future expansion of UK international freight and passenger services. We note that the wording of the relevant text in the Political Declaration does not preclude additional bilateral agreements. (Paragraph 144)

Response to 20 & 21:

The Government is fully committed to maintaining the success of cross-border services, both through the Channel Tunnel and on the island of Ireland. The Government has prioritised securing the continued smooth operation of current services, to minimise the risk of disruption for passengers and operators, and we are fully confident that effective arrangements are in place for exit day. On this basis, the Government has been working closely with authorities in the UK and the relevant Member States, as well as the operators themselves, to ensure operators hold appropriate licences with EU validity in order to continue operating without disruption in the event of no deal. We also support the nine-month transitional arrangement in place in EU law to ensure continued recognition of relevant documentation to support continuation of services. The Government is supporting operators' own contingency plans by progressing bilateral arrangements to ensure a robust regulatory framework is in place. These will principally relate to the Channel Tunnel.

The Government is fully committed to supporting the growth of both international rail freight and passenger services in future. The arrangements we are looking to put in place in relation to the Channel Tunnel are intended to ensure that both current

operators of services and any prospective operators seeking to run new services in future, including freight operators, can do so as seamlessly as possible. However, we continue not to foresee a need for a broader rail agreement with the EU or a broad range of bilateral agreements to achieve this.

The Government has also published Technical Notices on rail transport³, to communicate to operators – including both current and prospective cross-border operators – the steps they will need to take to hold valid EU licences in the event that the UK leaves the EU without a deal. Existing operators have taken a range of steps to ensure they are prepared. Prospective operators should also carefully consider the notices so they are clear about what they would need to do.

Recommendation 22: While bilateral agreements would ensure the continued operation of international rail services, such agreements would not support the recognition of UK operator or train driving licences in the EU generally nor UK certified components placed on the market in the EU. The extent to which the UK's continuing obligations under the Convention concerning International Carriage by Rail (COTIF) could alleviate these effects, if at all, are unclear. The Government should provide clarity on this matter. (Paragraph 145)

The Convention concerning international carriage by rail (COTIF) establishes uniform rules that govern international rail transport (such as the carriage of dangerous goods). The EU and UK, as well as individual EU Member States, are parties to COTIF and these uniform rules. The UK will continue to meet its obligations as a member of COTIF, regardless of the nature of the UK's withdrawal from the EU.

Cross-border rail services between the UK and the EU currently operate under EU legislation which goes further than COTIF provisions. For example, COTIF does not currently make provision for mutual recognition of licences or certificates, or in the area of interoperability constituents, as is the case under EU law. However in other areas, such as passenger rights and vehicle authorisations, COTIF provisions are relevant, and the Government will continue to engage with Member States on these issues.

The UK is engaging with OTIF to consider ways in which COTIF uniform rules can be even more relevant in the future, particularly in the area of cross-border rail services. The UK will continue to support efforts to further strengthen COTIF uniform rules where it is in our interests to do so.

Recommendation 23: Through its membership of the European Union Agency for Railways (ERA), the UK has been active in the development of a range of

³ <https://www.gov.uk/guidance/rail-transport-safety-and-technical-standards-if-theres-no-brexit-deal#operator-licences>

common standards for European rail networks. The Government has ruled out participation in the ERA after Brexit. Consequently, the UK will not enjoy the same level of influence on European rail standards and cooperation but will have greater freedom on domestic standards. (Paragraph 161)

The Government's position in the event of a 'no deal' exit is that we will not seek formal participation in the European Union Agency for Railways. This will enable greater control over domestic standards in the future. The exact nature of our relationship with the Agency, should we leave with a deal, will be subject to wider discussions with the EU on a future partnership.

We have encouraged UK stakeholders to continue to work closely with the Agency in the development of rail standards, such as through collaborative agreements between the Agency and rail sector bodies and sharing best practice to ensure their voices are heard. As already noted, the UK will also continue to be a member of the Convention concerning International Carriage by Rail (COTIF), which will help us to shape international rail technical standards and facilitate information sharing when we are no longer an EU Member State.

Recommendation 24: The Government should clarify if it intends to seek arrangements for the mutual recognition of rail certifications and licences with the EU post-Brexit. (Paragraph 162)

As stated in the Political Declaration, the UK and EU have agreed that bilateral arrangements should be established to facilitate the continued smooth functioning and operation of the cross-border rail services, rather than more general recognition arrangements, which the Government is not progressing. The EU's contingency measure on rail (Regulation (EU) 2019/503⁴), which the Government supports, provides for the ongoing recognition of relevant licences and certificates for cross-border rail services for nine months after leaving the EU, in the event that the UK leaves the EU without a deal. The Regulation means that key UK-issued documents (operator licences, safety certificates and train driver licences) that are required under EU law will continue to be valid in the cross-border area for nine months from the date of exit.

EU-issued licences and certificates will be recognised in Great Britain for a period of two years from the date the UK leaves the EU or until their expiry if earlier.⁵ We have advised relevant stakeholders to obtain GB-issued documents where necessary, although the majority of safety certificates and train driving licenses being used in Great Britain have been issued here, and will not be affected by this two-year recognition period.

⁴ <https://eur-lex.europa.eu/eli/reg/2019/503/oj>

⁵ The relevant secondary legislation in relation to the recognition of safety certificates and authorisations for a two year period is expected to be laid in Parliament later this year as raised recently in a House of Lords debate [https://hansard.parliament.uk/lords/2019-05-13/debates/0F66BFED-8060-4591-9CAB-A67847182DF9/RailSafety\(AmendmentEtc\)\(EUExit\)Regulations2019](https://hansard.parliament.uk/lords/2019-05-13/debates/0F66BFED-8060-4591-9CAB-A67847182DF9/RailSafety(AmendmentEtc)(EUExit)Regulations2019)

In Northern Ireland, the regime for licensing and certifying will continue unaffected as provision has been made in EU exit secondary legislation for the continued recognition of documents issued by authorities in other EEA states. This approach to recognition of documents reflects the particular importance of cooperation with the Republic of Ireland as regards cross-border railway services, which represent a greater proportion of services than in Great Britain.

Recommendation 25: Interoperability and harmonised standards have many benefits for cross-border services. There are, however, circumstances where divergence from EU standards would better suit local conditions on domestic routes. Such divergence should be approached with caution and on the basis of objective criteria. We call on the Government to work with the industry to bring forward more details on how this could be managed. (Paragraph 163)

We agree with the Committee that there are circumstances where divergence from EU standards would suit local conditions on domestic routes, but that divergence should be carefully considered.

The Department for Transport has engaged closely with industry in relation to interoperability, holding a number of workshops with stakeholders. In the event of a 'no deal' exit, technical standards for rail interoperability will be published by the Secretary of State for Transport in National Technical Specification Notices (NTSNs). The NTSNs published for exit day will replicate the requirements contained in the corresponding EU standards in force at the time of exit. The Department for Transport will work closely with the Rail Safety and Standards Board (RSSB), as the main UK industry body for the development of the rail technical standards, to inform decision-making on future NTSNs.

The RSSB has agreed to run consultations on proposed new NTSNs. They will report any identified impacts of divergence from, or alignment with, EU standards and make a formal recommendation to the Secretary of State so that the Department's final decision will be made considering those views. This process will be able to consider how alignment or divergence may support cross-border or domestic services. If divergence is being considered, we will first notify Parliament through a Written Ministerial Statement before any final decisions are made. That Statement will refer to the report from the RSSB consultation process and outline the nature of the proposed divergence, the rationale for it, and set out the potential costs and benefits.

Recommendation 26: Future divergence on standards must also be considered in the context of the wider rail industry. Rail manufacturers benefit from the economies of scale and export opportunities associated with standardised products. We agree with the weight of evidence that large-scale divergence would decrease the UK's attractiveness as a base for overseas manufacturers. (Paragraph 164)

Any decisions about potential divergence will fully take into account the interest of the supply chain, whose growth and success we are committed to supporting. Such

decisions will always be made on the basis of consultation with industry and stakeholders, taking into account economic impacts on UK manufacturers, and we would not choose to diverge if this process identified excessive costs or damage to the UK rail industry.

Recommendation 27: The separation of rail infrastructure and operations is a requirement under UK legislation (applied in Great Britain) and predates related EU legislation. We recognise that EU law has moved towards the GB model, but that it does not require complete separation. Indeed, some Member States have more closely connected infrastructure and operating services, which are compliant with EU law. We therefore conclude that membership of the EU has not substantially constrained GB's ability to move away from complete separation. (Paragraph 165)

EU legislation allows for many different operating models, including vertical integration. The future organisation of rail in Great Britain is subject to the outcome of the Williams Rail Review⁶. The Review has engaged extensively across the country, publishing a problem statement and draft assessment criteria for potential new sector models and policies – the first step towards the blueprint for our future railway. The Government will publish a White Paper in the autumn setting out how we will implement the Review's recommendations, and reform will start as early as 2020.

Recommendation 28: The Channel Tunnel plays a key role in UK-EU trade of goods and facilitates leisure and business travel for many millions of people each year. The Government has made clear its intention to secure a bilateral agreement with France to ensure the continued operation of Channel Tunnel services. We also recognise that the future of these services will be significantly affected by matters outside the Department for Transport's remit, namely customs and immigration arrangements. (Paragraph 168)

The Government fully recognises the significant contribution that the Channel Tunnel and the services that run through it provide for citizens and businesses in both the UK and the EU. The Channel Tunnel facilitates around a quarter of all trade in goods between the UK and the EU, while Channel Tunnel services such as Eurostar and Le Shuttle transport millions of passengers each year.

As a responsible Government we have been preparing for over two years to minimise any disruption in the event of 'no deal', including any disruption resulting from changes at the border. We continue to work closely with a range of partners and across Government on contingency plans to ensure that people and goods can continue to move as freely as possible between the UK and the EU, including in the event of no deal.

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786962/rail-review-cfe-objectives-assessment-criteria.pdf

Recommendation 29: We recognise the sizeable contribution made by EU workers to the UK's rail industry, and note that concerns about future access to EU talent span many industries. We welcome initiatives to improve domestic training opportunities in the rail sector, which will be one part of maintaining the supply of skills post-Brexit. (Paragraph 170)

The Government agrees that EU workers have made a sizeable contribution to the UK's rail industry and is confident that this will remain the case after EU exit.

Many major training and apprenticeship programmes are underway to ensure that the UK rail sector is equipped to deliver infrastructure projects taking place across the country, improving domestic training opportunities. The Transport Infrastructure Skills Strategy, a joint government-industry initiative, has set a target to deliver 27,000-35,000 apprenticeships in road and rail by 2022 and the Rail Sector Skills Delivery Plan aims to build on these targets by encouraging greater diversity in the sector and upskilling the existing workforce to make sure that we are able to make the best use of new technologies.

Maritime transport

Recommendation 30: Maritime transport is generally liberalised and underpinned by an extensive body of international law. Post-Brexit, UK and EU ship operators will in most respects be able to access each other's ports as at present. Cabotage rights, however, are provided under EU law. Unlike the UK, some EU countries do not permit third country cabotage. Loss of cabotage rights would have negative implications for some UK operators. (Paragraph 189)

The Government agrees that maritime transport is generally liberalised and that, after the UK leaves the EU, UK and EU ship operators will for the most part be able to access each other's ports as now. The Political Declaration agreed between the UK and EU in November 2018 envisaged that the future relationship between the two parties should cover market access for international maritime transport services. Such provisions are common in trade agreements and provide further reassurance that market access will remain liberalised.

Cabotage is typically not liberalised in trade agreements. This allows trade areas such as the EU, and countries, to make their own provisions. The UK and EU start from a position where EU legislation (Regulation 3577/1992) provides Member States with cabotage rights. Some EU countries – including the UK, Belgium, Ireland and the Netherlands – also have an open approach to cabotage by non-EU countries. We believe that competition in the provision of such services provides better value to the users of such services. Other EU countries restrict cabotage by third countries.

There is considerably more cabotage in UK waters by EU vessels than *vice versa*.

Recommendation 31: We consider that any future UK-EU maritime agreement must provide for mutual recognition of seafarer certificates. (Paragraph 190)

We agree that it is in no one's interest that there should be restrictions on the ability of UK trained seafarers to work on EU flagged vessels or of seafarers trained in the EU27 to work on UK flagged vessels. These seafarers contribute enormously to the success of the companies they work for. The UK has already given an undertaking to continue recognising certificates from the EU 27. This has been welcomed by the European Transport Workers' Federation and the European Community Shipowners' Association who have urged the European Commission and Member States to take a similar approach to avoid disruption to the employment of seafarers. We will work to ensure that UK certificates continue to be recognised by the EU 27 in all scenarios.

Recommendation 32: The UK flag has attracted a number of registrations from EU and EEA interests, as allowed under EU law. This has supported the growth of the UK Ship Register (UKSR) and strengthened its international reputation. Post-Brexit, the UK will be able to review registration rules and determine if the UKSR should become a national registry, remain open to EU and EEA interests, or open up internationally. (Paragraph 191)

The UKSR is a modern and highly regarded flag which provides a quality option for ship owners. The Government has recently reviewed the eligibility requirements for UKSR and expanded the list of countries who can benefit from the quality service that UKSR provides. The Merchant Shipping (Registration of Ships) (Amendment) (EU Exit) Regulations 2019⁷ expanded the eligibility criteria to the citizens and companies of 20 countries who are now be able to own ships on the UK Register in the same way that UK and EU/EEA citizens and companies may do.

Recommendation 33: EMSA programmes such as CleanSeaNet, SafeSeaNet and THETIS are important to the safety and security of maritime transport and to countering sea pollution caused by ships. Replicating the two former programmes will be less efficient than current arrangements. We welcome the Government's aim of close cooperation with EMSA, including the exchange of information on maritime safety and security. We note, however, that no mention is made of cooperation on environmental matters. We encourage the Government to seek wide-ranging, deep cooperation arrangements with EMSA, including in the area of response to sea pollution. (Paragraph 199)

⁷ <http://www.legislation.gov.uk/ukxi/2019/509/made>

The UK is committed to cooperating globally on maritime transport including through leading international organisations such as the International Maritime Organization. We will also continue to work with our European partners, to ensure we maintain high levels of safety, security and environmental standards. Our future relationship with the EU should facilitate cooperation on these issues, including through exchange of information between the Maritime Coastguard Agency and the European Maritime Safety Agency (EMSA). As a responsible Government, we are planning for all eventualities and will ensure that our Maritime agencies have the tools they need to manage UK waters as effectively in future as they do now.

Recommendation 34: Divergence from EU rules could benefit the UK maritime industry in certain areas. A prominent example is the EU Port Services Regulation, which is generally agreed to be unfit for the structure and requirements of UK ports. But more broadly, the UK's opportunities for divergence on port regulations are likely to be limited by the depth of maritime cooperation arrangements sought with EU. (Paragraph 210)

We agree that the EU Port Services Regulation creates unnecessary administrative burdens for the UK's highly competitive ports industry. However, for the most part, maritime legislation is made at international level, through the International Maritime Organisation and the International Labour Organization. The UK and the EU will both continue to abide by these rules. There will, therefore, inevitably continue to be a measure of alignment between the EU and UK on maritime legislation, regardless of the nature of the UK's relationship with the EU.

The UK supports some of the measures that the EU has taken that supplement international legislation. For example, we support the measures that the EU has taken on maritime passenger rights and on liability for harm suffered by passengers. We wish to continue with such measures and have made the necessary legislative changes to ensure that the legislation on passenger rights continues to function effectively when we leave the EU.

Recommendation 35: In seeking to support the UK's maritime sector post-Brexit, the Government would remain bound by WTO anti-subsidy rules. Any deep and comprehensive trade agreement made with the EU would also contain State aid controls. Nonetheless, we encourage the Government to work with the devolved administrations to explore opportunities to promote growth in the sector, including the possibility of free ports. (Paragraph 211)

The Government agrees that it is important to work with the Devolved Administrations on opportunities to promote growth in the maritime sector. The devolved administrations were consulted during the development of our far-reaching Maritime 2050 Strategy⁸, published in January, which set out the Government's ambitions for the sector. They will also be involved in its implementation.

⁸ <https://www.gov.uk/government/publications/maritime-2050-navigating-the-future>

One of the recommendations in Maritime 2050 was to engage with the ports and manufacturing industry to consider the case for free ports in the UK. The Department for International Trade, with cross-Government support, is leading a project to understand how free ports could affect our future trade policy. The Government has engaged with a range of stakeholders including businesses, trade associations and port operators to understand the viability of free port zones in the UK and government departments and officials are currently considering the next steps.

Northern Ireland–Ireland road and rail transport

Recommendation 36: The island of Ireland's distinct social and economic ties place unique demands on its future transport arrangements. These conditions may not be best-served by broader negotiations on UK-EU transport arrangements. A solution may be found in an integrated bilateral approach to arrangements for passenger transport by rail and road. (Paragraph 229)

The Government is committed to ensuring that the Belfast Agreement is respected and that North-South co-operation in the field of transport continues. The Government is open to considering different arrangements and approaches that will ensure this, which could include a bilateral approach.

The Government is also committed to supporting efforts to ensure that the Enterprise service continues to operate smoothly following the UK's withdrawal from the EU. It is in the interests of both the UK and Ireland to ensure this vital link is not disrupted. Rail policy is devolved to Northern Ireland, however, DfT is supporting the Northern Irish Civil Service to provide technical support regarding arrangements for the Enterprise service when the UK leaves the EU. We have been working closely with both Northern Ireland Railways (NIR) and Iarnród Éireann (Irish Rail, IR) in conjunction with other relevant authorities such as the Office of Rail and Road (ORR) and the Northern Ireland Department for Infrastructure (NIDfI) to support contingency plans. The contingency plans are well advanced and we are fully confident suitable arrangements will be in place to ensure the smooth continuation of the service, regardless of the nature of the UK's withdrawal from the EU.

Recommendation 37: We note that the EU's 'no deal' contingency measures made a special allowance for passenger transport around the Irish border, albeit on a temporary basis. (Paragraph 230)

Recommendation 38: In any case, the requirement for cabotage rights for passenger services on the island precludes any reliance on the Interbus Agreement or a future arrangement based thereon. It is therefore of vital importance that an agreement is reached to preserve Northern Ireland–Ireland bus services under any Brexit scenario. While there may be the will to achieve this on both sides, we warn against complacency and urge the Government to bring forward specific plans. (Paragraph 231)

Response for 37 and 38:

As outlined above at recommendation 24, the EU's contingency measure on rail connectivity provides for the ongoing recognition of relevant licences and certificates for a temporary period, in the event that the UK leaves without a deal. This contingency measure is welcome and supplements the extensive efforts already made by the Government, Irish authorities and the operators themselves to secure the continuation of these important services.

The Government agrees with the Committee that it is important to secure the continuation of cross-border bus services on the island of Ireland and will work with all relevant parties to ensure this happens.

Recommendation 39: Notwithstanding the modest benefit to the UK of GB–EU cabotage for goods transport, we note that the UK has a strong interest in the maintenance of cabotage rights on the island of Ireland. We call on the Government to confirm how this disparity will influence its approach to negotiations on market access for hauliers. (Paragraph 232)

While cabotage operations may represent a greater proportion of total haulage activity on the island of Ireland than for Great Britain and continental Europe, the approach to addressing this in the negotiations will be the same. Cabotage rights on the island of Ireland matter for Irish hauliers as well as Northern Ireland hauliers, so it is to be expected that the EU side will need to address this point.

Cross-modal matters

Recommendation 40: We commend DfT's high level of engagement, as reported by industry stakeholder groups. However, we call on the Government to strengthen its communication with small and medium sized businesses in the sector. We also encourage DfT to improve the flow of information about relevant matters outside its remit to stakeholders in the transport sector. (Paragraph 237)

The Department recognises the importance of offering as much clarity as possible to industry as the Government presses ahead with negotiations. Clearly, while we remain in negotiations with the EU we are not able to give the industry absolute certainty, and we recognise the challenges this presents as businesses look to plan for the year ahead.

Despite these challenges, over the last year we have been supporting the Government's Public Information Campaign, and working across the transport industry to ensure that businesses and the public have the information they need to prepare for all exit scenarios.

In the area of road transport, we have used targeted paid-for social and trade media advertising along with partnership marketing to ensure that we reach SMEs as well as those hauliers working for larger companies. For example, we have worked with ferry operators, consumer groups, travel operators, manufacturers and dealers, member organisations and truck stops, making sure that we reach our audiences in as many different fora and media as possible. We have also used our stakeholder network to share relevant information beyond transport matters, for example information about the EU Settlement Scheme, customs and import/export requirements, for them to share with their staff, supply chains and customers.

We also continue to hold regular roundtable discussions with key stakeholders from across all transport modes, representing consumers and businesses of all sizes to ensure our activity is tailored to meet the needs of our audiences, and to enable the transport industry to have a voice in shaping future policy and negotiation outcomes.

The Department has worked closely with stakeholders across the rail industry in communicating updates regarding EU exit. Regular stakeholder events have been held with senior representatives from the industry, alongside bilateral discussions where appropriate. The Department and industry have worked particularly closely in managing the potential impacts of leaving the EU without a deal, including how small and medium sized businesses in the rail supply chain may be affected, particularly through working closely with relevant trade associations.

For road transport, data is not available regarding the precise level of small businesses undertaking international journeys, however, we have engaged closely with SMEs and associations representing small businesses to ensure the issues are fully considered. In addition to wider publicity campaigns, the Department wrote to all UK international hauliers and passenger transport operators regularly, advising on future market access in a no-deal scenario, international haulage permits, and on what further actions operators should take to prepare for EU exit.

In the maritime sector, DfT and other Departments have engaged with the shipping and ports sector and representative organisations about the potential effects of EU exit on their operations.

On vehicle standards, a number of meetings and stakeholder events have been held with trade association the Society for Motor Manufacturers and Traders (SMMT) and small and medium sized manufacturers directly, aimed at answering their questions and raising awareness of what they needed to do in order to be prepared for the UK leaving the EU without a deal.

Recommendation 41: The UK has robust arrangements for transport passenger rights that are independent of its membership of the EU, and in some cases exceed those provided by EU law. We conclude that Brexit may present opportunities to simplify some EU measures on passenger rights in a manner that would better suit UK conditions. This should not entail any reduction in the rights of UK passengers compared to EU passengers. We further note the advantages of congruence of passenger rights on international services. (Paragraph 245)

EU rules concerning maritime passenger rights are protected in UK regulation by the Merchant Shipping (Passenger Rights) (Amendment etc.) (EU Exit) Regulations 2019⁹. This makes provisions so that maritime passengers will continue to enjoy the same rights as are currently available under EU legislation.

Current, and any future, EU regulation will still apply to maritime journeys bound for the EU. It is probable the UK requirements will remain predominantly aligned with EU requirements but the UK's exit from the EU also offers the opportunity to tailor our maritime legislation in a way that works for our sector, if needed. The flexibility to act where necessary will allow the UK to react to any changing or emerging issues. This flexibility will safeguard the UK's status as a leader in maritime passenger rights, and will help ensure that we deliver on the promise of equal travel opportunities for disabled and reduced mobility passengers.

The situation for road transport is similar. For example, the UK Government has already passed legislation¹⁰ that essentially replicates current EU Regulation (EC) 1073/2009, which is a set of common rules for access to the international market for coach and bus services. This legislation provides for the existing legal regime concerning the rights of bus and coach operators from the EU to operate in the UK to continue to function in a similar manner after exit day. The aim of it is to minimise any potential disruption in services for passengers in a no-deal scenario, for example between the Republic of Ireland and Northern Ireland.

EU law regarding rail passenger rights will be brought into UK law by the Rail Passengers' Rights and Obligations (Amendment) (EU Exit) Regulations 2018¹¹. In any case, many aspects of UK rail passenger rights already go beyond the minimum EU requirements, providing comprehensive protection for passengers. For example, as part of their license to operate each train operating company is required to have a Disabled Persons' Protection Policy (DPPP) in place, which sets out the level of services and facilities that disabled passengers can expect to receive. These protections will be unaffected by the UK's withdrawal from the EU.

Recommendation 42: We received no evidence to suggest that arrangements to re-route the North Sea Mediterranean Ten-T corridor would have a significant impact on the UK. We further note that the UK has received a lower proportion of funding for CEF transport projects compared to its budget contributions. (Paragraph 253)

The Government notes the Committee's view, which aligns to the Government's own view of arrangements to re-route the North Sea Mediterranean TEN-T corridor.

Recommendation 43: EU support for UK transport infrastructure also arises from Structural and Investment funds. We acknowledge the Government's

⁹ <http://www.legislation.gov.uk/uksi/2019/649/made>

¹⁰ The Common Rules for Access to the International Market for Coach and Bus Services (Amendment etc.) (EU Exit) Regulations 2019 <http://www.legislation.gov.uk/uksi/2019/741/contents/made>

¹¹ <http://www.legislation.gov.uk/uksi/2018/1165/contents/made>

commitment to underwriting the UK's allocation for Structural and Investment funds until the end of 2020, and look forward to details of how the planned successor arrangement, the Shared Prosperity Fund, will be used to develop transport infrastructure. (Paragraph 254)128. We support the liberalisation of international passenger rail services and believe that the Directive 2007/58/EC forms a sound basis for ensuring more services and greater competition, including through the Channel Tunnel (para 21)

The development of the UK Shared Prosperity Fund is being led jointly by the Department for Business, Energy and Industrial Strategy and the Ministry for Housing, Communities and Local Government who plan to consult widely on the design of the fund. Decisions on the design and priorities of the Fund are due to be made following Spending Review.

Decisions on the design and priorities of the Fund are due to be made following Spending Review. The Government's immediate priority has been to ensure that current services through the Channel Tunnel will continue after exit, and the Government is supportive in principle of greater choice and competition.