

# BREXIT AND THE RAIL INDUSTRY: POLICY ASKS

Our railway is the backbone of the British economy. It employs around 240,000 people, moves 4.5 million people around Britain each day, and 86 million tonnes of freight each year. It spreads wealth to every part of the country. And, as a sector that imports and exports both goods and services, transports people across borders, and possesses Britain's only physical link to mainland Europe, getting Brexit right for the rail industry will also be a barometer for whether the overall deal will enable Britain and Europe to prosper together in the decades ahead.

The European Union (EU) Single Market has enabled British and European railway operating and manufacturing companies to set up complex supply chains and services that benefit competitiveness, growth and employment in both economies. With much at stake, train operating companies and the rail supply chain are anticipating with interest the final outcome of the negotiations between the UK and the EU27.

Significant legislation regarding international and domestic rail travel originates in the EU. Successive 'Railway Packages' and the creation of the Single European Railway Area have liberalised intra-EU rail traffic. This has created opportunities for British businesses to operate railway services on the continent and vice-versa. Aside from these important industry-specific frameworks, there are also EU regulations regarding environmental impact, passenger rights, safety and security standards and rights for employees (so-called horizontal legislation).

The least favourable outcome for business would be a no-deal "cliff edge" Brexit. A cliff-edge scenario would mean that as of 29 March 2019 the UK would not only cease to be a member of the European Union, it would also leave its Single Market and its Customs Union without any new agreement in place. The rail industry wants to avoid this and will cooperate with Government to find suitable outcomes and secure transitional arrangements.

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**Smooth cross border transport:** Passenger and freight train operators need to access rail infrastructure without undue cost, delay or operational boundaries.

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**Reciprocal market access:** The rail industry needs an agreement which allows reciprocal market access to both EU and UK railway companies and their owning groups without complications.

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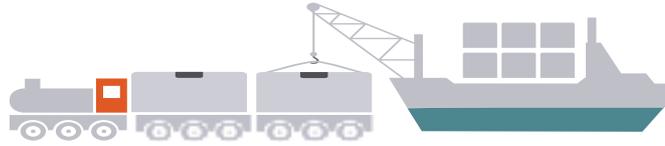
**Access to skills:** The industry relies on continued access to skilled workers to continue operating and upgrading, to support economic growth. Government and the industry must work together to ensure the industry can have access to a sufficient number of skilled workers either train domestically or from the EU.

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**Clear application of railway standards:** The sector needs continued influence over EU standard design by maintaining influence in the design of European standards and continued recognition of EU standards by the UK government.

## SMOOTH CROSS BORDER TRANSPORT

The smooth flow of goods between the UK and EU is critical to the transport sector. Any changes to the trading relationship with the EU will be faced by the transport sector in the first instance. The Channel Tunnel is the only physical link between Britain and mainland Europe and one in four containers that arrive in British ports make their onward journey by rail.



### What does this matter?

10 million passengers and 22 million tonnes of freight goods use the Channel Tunnel every year. If the UK leaves the EU without an interim agreement or a new deal, the transport sector is likely to bear the brunt of this impact. The UK and EU's legal obligations to treat each other as third countries from 'Brexit Day' and this would have to be accommodated by both passenger and freight operators.

There is a risk that leaving the customs union and the single market could cause additional costs and delays at borders, requiring an increase in staff and capacity. Additional infrastructure may be required to manage trains in depots for longer periods or to store goods. On a network that is one of the most intensively used in Europe, delays could have an impact on domestic freight and passenger services.

### What does the industry need?

Smooth rail transport between Britain and France via the Channel Tunnel and from ports onto freight trains must be guaranteed. Passenger and freight train operators need to access rail infrastructure without undue cost, delay or operational boundaries. The capacity of IT systems, human resource, space and physical infrastructure to support these additional burdens – such as new customs-checks at the border – must be ready for 'day one'.

A temporary implementation period to allow adaptation to new systems is absolutely necessary, and a new deal vital. In addition, the UK and EU must agree full mutual recognition of licences and train driver licences on the route through the Channel Tunnel.

## RECIPROCAL MARKET ACCESS

International involvement in the British franchising market is well-documented and we should welcome the jobs and investment that international transport businesses have wanted to bring here to learn from and build on our successes. British businesses are also increasing their presence in mainland Europe and we want to make sure that these companies have access to markets so we can export our expertise.

### What does this matter?

Competition for the rail market has delivered significant benefits for passengers, including lower fares, increased service frequency and customer service innovations. The GB franchising market relies on credible bidders and so far, these bidders have been attracted to the GB passenger rail market. Equally, GB operators are increasingly seeking out opportunities on the continental passenger rail market.

### What does the industry need?

The rail industry needs an agreement which allows reciprocal market access to both EU and UK railway companies and their owning groups without complications. To avoid potentially severe consequences the day following withdrawal, there should be a strong transitional arrangement which encompasses the railway and reaches beyond transport policy.



## ACCESS TO SKILLS



The railway industry relies on skilled workers to continue their work supporting transport and upgrading Britain's infrastructure. We estimate that up to 20% of the industry's skilled workforce come from the EU27. This is as much as 40% for some businesses.

### What does this matter?



Having subsidiaries throughout the EU, including the UK, companies provide their services by allocating trained and specialised employees to projects where and when their skills are needed. The EU Single Market's freedom of establishment, free movement of people and free movement of services are key enabling factors for this degree of mobility for companies' corporate structures across Member State borders. The facilitation of this flexibility by EU legislation is vital for the competitiveness of companies.



Furthermore, an end to or limit on free movement of labour will affect the industry's access to sufficient and skilled labour. Restricting access to skilled workers from the EU will exacerbate current recruitment shortages in the industry and have the potential to significantly delay infrastructure projects and hinder operations.

### What does the industry need?

The industry relies on continued access to skilled workers to continue operating and upgrading, to support economic growth. The industry is working to build a pipeline of skills including 20,000 new apprentices by 2020. In tandem, Government must ensure the industry can have access to a sufficient number of skilled workers from the EU to avoid increased shortages in the sector.

## CLEAR APPLICATION OF RAILWAY STANDARDS

To allow markets for rail to be as open as possible, and smooth cross-border passenger and freight transport, the requirements for railways are increasingly set at a European or global level. Adhering to these standards means suppliers can effectively service domestic and EU markets and maximise economies of scale and competitiveness. Technical Specifications for Interoperability (TSIs) are agreed upon at the EU Agency for Railways (The Agency) where the UK is currently represented at Member State and industry level.

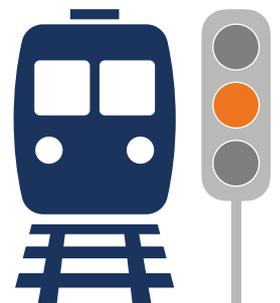
### What does this matter?

If the UK were to stop applying TSIs, there would be implications for international routes and rail supply chain imports and exports. Whilst there are some potential benefits in modifying elements of railway standards domestically, this must be undertaken in consultation of the whole industry and based on a thorough impact assessment on all players of the UK railway sector. If the UK retains its commitment to open global markets and reduced barriers to trade across Europe and beyond, our members and their supply chain will still want to buy and sell relevant products and services efficiently, and the approach to standards is designed to support that aim.

### What does the industry need?

The sector needs continued influence over EU standard design by maintaining influence in the design of TSIs in The Agency. The industry urges the Government to join The Agency post-Brexit in the same manner as Switzerland. The industry will also seek a bilateral relationship.

In the medium-term, the industry will continue to apply all EU standards. Convergence or divergence from EU Regulations, TSIs and standards will be managed through a central industry mechanism (Technical Authority) to ensure a coherent and integrated suite of regulations that is responsive and is influenced by the needs of the sector. This central mechanism will have to be agreed with the whole industry and decisions made with a holistic view of costs and benefits. The industry will need support and potentially financing from the Government for this activity.



## CASE STUDY: EU STANDARDS ON 'IPS'



The UK is a world leader with respect to the Interior Passive Safety (IPS) of trains

Train designers follow IPS design guidelines to minimise injury to train occupants in the unlikely event of a collision or derailment



The UK has successfully argued that IPS requirements should be incorporated into the relevant EU specification (i.e. the LOC & PAS TSI) so that standardised rolling stock can be built to the same common specification.



Without the UK as a member of the European Agency for Railways there is a real risk that IPS will be removed at the next TSI revision – since we will have lost the power to prevent this from happening.



Should IPS requirements be lost from the LOC & PAS TSI the UK would have to make alternative arrangements to maintain our current levels of IPS.

This may have implications for competitiveness and economies of scale in the supply chain.

## ABOUT RAIL DELIVERY GROUP

The Rail Delivery Group (RDG) brings together passenger train operators, freight train operators, as well as Network Rail; and together with the rail supply industry, the rail industry – a partnership of the public and private sectors - is working with a plan In Partnership for Britain's Prosperity to change, improve and secure prosperity in Britain now and in the future.

RDG provides services to enable its members to succeed in transforming and delivering a successful railway to the benefit of customers, the taxpayer and the UK's economy.

In addition, RDG provides support and gives a voice to passenger and freight operators, as well as delivering important national ticketing, information and reservation services for passengers and staff.



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